



COMPTROLLER
of MARYLAND
Serving the People

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2000

*William Donald Schaefer, Comptroller
State of Maryland*

STATE OF MARYLAND
Office of the Comptroller

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State of Maryland

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2000

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THE COMPTROLLER OF MARYLAND
SERVING THE PEOPLE



How will this help people?

During fiscal year 2000, the Comptroller's Office adopted a new logo and slogan that reflect the cornerstone of Comptroller William Donald Schaefer's public career – Serving the People.



Comptroller William Donald Schaefer

In the Comptroller's Office, "serving the people" is not just a slogan but a philosophy of government, and the outcome of each agency program must ultimately help answer the question, "How will this help people?"

Throughout the fiscal year, the Comptroller's Office helped people directly by enhancing traditional and electronic customer services as well as through a new and exciting community outreach program. The comptroller started or expanded programs to ensure tax equity for Maryland individuals and businesses and to enforce laws protecting public safety and tax revenues. Yet other initiatives help people through cooperation with businesses and local governments.

This section of the Comprehensive Annual Financial Report takes a closer look at initiatives both within and outside of the agency's traditional functions that meet the test of helping people.

Tax fairness helps people

TAX DELINQUENTS GET “CAUGHT IN THE WEB”

In fiscal year 2000, Maryland got tough with delinquent taxpayers in a new high-tech way – by listing on the comptroller’s Web site taxpayers who refuse to pay their “fair share.”

“Listing these people on the Web is the newest tool we can use to make sure these individuals and businesses do what nearly everyone else in Maryland does – pay their taxes,” said Comptroller William Donald Schaefer. The taxpayers initially “caught in the Web” failed to respond to repeated payment requests and collectively owed almost \$10 million in overdue taxes, penalties, and interest. Letters warning potential candidates for the program brought in payments even before the list was posted.

The first 50 accounts listed, many with liabilities in the hundreds of thousands of dollars, are already part of the public record because tax liens have been filed for each case. None of the taxpayers listed are in bankruptcy or have active payment plans. Names are removed from the list as soon as the liability is resolved.

Another tool that the Comptroller’s Office is using to ensure fairness is a system called STAX, data compression software made especially for state taxing authorities. The Maryland Comptroller’s Office was one of the first state agencies to use federal data for state tax compliance programs. These compliance programs match state and federal data to determine when tax is due to Maryland, based on amounts reported to the



Comptroller William Donald Schaefer checks out his agency’s online list of tax delinquents.

IRS. For example, one match program compares taxpayers who filed a federal tax return using a Maryland address to the state's records to ensure that all taxpayers who are required to file a Maryland return do so.

Matching state and federal data has always been an extremely productive and cost effective way to ensure compliance with revenue laws. But matching on a main frame computer can be difficult because of the programming resources needed. The STAX software greatly speeds the process by housing at least three years of complete federal and state data side by side in a PC. This allows programs to be developed and run in minutes rather than in weeks. The delinquent taxes the Comptroller's Office collected from just one matching program run on STAX was more than enough to cover the cost of the software.

STREAMLINED SALES TAX PROJECT

Comptroller William Donald Schaefer strongly believes in creating a level playing field for Maryland businesses and in finding a fair and workable solution to the issue of taxation of Internet sales. He supported legislation that allows his office to work with other states in developing a voluntary, multi-state, streamlined sales tax collection and administration system.

By 2003, under the current system, Maryland will lose an estimated \$148.5 million – enough money to build 21 new elementary schools – to untaxed Internet sales.

“Untaxed Internet sales put Maryland businesses and the thousands of people they employ at a competitive disadvantage,” the comptroller said. “And people who can't afford computers and Internet access pay the tax that those who are better off can avoid. That's just not fair. A simplified sales tax system would be the first step in dealing with the growing impact of e-commerce and ensuring a level playing field for Maryland business and equity for Maryland taxpayers.”

Protecting people, safeguarding revenue



Photography by Eric Stocklin

Criminals who think smuggling untaxed cigarettes into Maryland is an easy way to make a quick buck have been unpleasantly surprised, in the form of an expanded enforcement effort.

During fiscal year 2000, the comptroller's enforcement agents made 31 arrests and seized 183,162 packs of cigarettes valued at \$590,014 and representing a tax loss to Maryland of \$120,886. This compares to five arrests and 39,264 packs seized in fiscal year 1999.

Increased criminal activity, spurred in part by a July 1999 cigarette tax increase, threatens more than state revenues. The smugglers, many of whom are involved in other criminal activity such as money laundering, writing bad checks, theft, and fraud, and some with ties to terrorist groups, pose a threat to Maryland citizens. "I want these dangerous criminals to know they can't do business here in Maryland without facing the consequences," said Comptroller Schaefer.

By seizing thousands of packs of smuggled cigarettes, the comptroller's enforcement agents protect tax revenue and target criminal activity.

The comptroller's Field Enforcement Division also protects the interests of Maryland motorists by establishing quality standards for all motor fuel sold and used in Maryland and ensuring that consumers get what they

pay for. In fiscal year 2000, the comptroller's motor fuel testing laboratory tested samples representing almost 822 million gallons of gasoline and 575 million gallons of other petroleum products for octane levels, contaminants, and other factors. The minuscule failure rate – well under a tenth of a percent – attests to the success of the program.

Enforcement agents act quickly on consumer complaints, testing fuel and issuing stop sale orders when the fuel fails quality tests. Dealers who knowingly mis-label fuel or mingle grades of gasoline are charged with intent to fraud, a violation that carries a fine and/or imprisonment.

*“I want these
dangerous
criminals to know
they can't do
business in
Maryland without
facing the
consequences.”*

Comptroller Schaefer

Technology to help people

www.marylandtaxes.com

The comptroller's greatest technological achievement in fiscal year 2000 went largely unnoticed, as the calendar rolled to January 1, 2000, with no adverse impact on the people of Maryland. It was business as usual for state government's largest data center as the services people depend on, including state paychecks, vendor payments, and more were provided without interruption.

But focus on the Y2K rollover didn't keep the comptroller from upgrading other technology-based services. Upgraded communication services to the comptroller's branch offices cut the time it took taxpayer service representatives to download images of tax returns from eight minutes to a minute or less.

More than 200,000 taxpayers who file quarterly estimated Maryland income tax payments benefited from a new interactive estimated tax calculator on the Comptroller's Office Web site at www.marylandtaxes.com. The new feature serves as an online worksheet for taxpayers who must make estimated payments. After taxpayers enter the relevant information, their estimated tax calculations are computed automatically, and they can download the form from the Web site.

Taxpayers went online in record numbers – almost 55,000 – in fiscal year 2000 to file their income tax returns through online tax preparation services. Tax preparers also filed a record number of Maryland returns electronically, contributing to a total of almost 408,000 electronically filed returns. Almost a quarter of a million taxpayers also chose technology to get their refund checks faster by selecting direct deposit.

A new Web-enabled credit control system enables wine and liquor wholesalers to submit credit control reports and lists online. Visitors to the Comptroller's Office Web site used a variety of other services, downloading one million forms and other publications, making 97,000 automated refund status inquiries, registering new businesses, and more – generating almost 21 million hits on the site.

New ways of helping people

The Comptroller's Office has expanded one of its most popular programs, helping Marylanders find unclaimed funds, by joining a national database service on the World Wide Web that offers individuals and businesses a free online search of unclaimed accounts totaling \$14 billion.

Visitors to www.missingmoney.com can find out for free if they have money in 24 states, including Maryland. The site, which is endorsed by the National Association of Unclaimed Property Administrators, includes records of 4.5 million accounts. The comptroller's Web site at www.marylandtaxes.com also lists more than 40,000 recently reported names of unclaimed property owners in Maryland.

Newspaper ads, exhibits at fairs and conventions, and other outreach efforts helped more than 7,500 people find almost \$12 million in unclaimed funds in fiscal year 2000.

PARTNERSHIPS USE BRANCH OFFICES

Taking advantage of 20 offices throughout Maryland, Comptroller Schaefer has forged partnerships with two other state agencies, the Maryland Insurance Administration (MIA) and the Maryland Attorney General's Office, to bring information and services closer to the people of Maryland.

Under the new arrangement, a MIA representative will be available once a month at 17 of the offices to help citizens who want to file a complaint against an insurance company, ask questions about policies, receive educational materials and publications, or report suspected insurance fraud.

Through the partnership with the Attorney General's Office, citizens can pick up consumer complaint forms or literature on consumer issues at any of the comptroller's branch offices. People can file complaint forms with the Attorney General's Office, or personnel at the branch offices can file for them.

Traditional customer service with a smile

"She made me feel like my problem was important enough to handle right away."

"You made me feel as comfortable as possible while correcting the problem."

"...went far beyond the norm to correct my situation."

"Tax collectors get a lot of bad press but a confident, well-mannered customer service representative goes a long way toward easing any burden."

"Thanks for being wonderful."

Those are just some of the comments made by grateful taxpayers about the service they received from the Comptroller's Office. "Serving the people" is the cornerstone of Comptroller Schaefer's philosophy of government, and dedication to superior customer service is a hallmark of his administration.

The Comptroller's Office works to help its many customers in the public, in the business community, and in other government agencies year 'round. In fiscal year 2000, the agency's taxpayer service section answered almost a million telephone calls, not including automated lines, more than 10,000 letters, and more than 14,000 e-mail inquiries. One

hundred thirty thousand people walked into 20 local offices for assistance, and representatives prepared thousands of Maryland tax returns for them, free of charge. And when the taxpayers don't come to the comptroller, services go to them, as employees visit malls throughout the state and provide assistance with the IRS during the income tax filing season.

Representatives from the Comptroller's Office also go into the community to speak to citizen and business groups about a variety of tax topics. They also train the volunteers who in turn help seniors, low-income taxpayers, and others fill out their Maryland returns.

For Comptroller Schaefer, taking customers' concerns seriously and treating them with respect and dignity is as important a part of helping people as processing returns, depositing money, enforcing tax laws, and the hundreds of other tasks the agency accomplishes.

A helping hand to those in need

Cooking and serving meals in homeless shelters; landscaping the grounds of a home for seniors; sending disadvantaged children to camp; helping persons with disabilities with shopping and medical appointments – nontraditional Comptroller's Office functions that are essential to the broad mission of helping people. Comptroller Schaefer strongly believes public servants, and indeed everyone with a job and the benefits a job provides, has an obligation to reach out and improve the lives of the poor, the elderly, and children at risk.

Many government and business offices collect money and goods for charitable causes, especially during the holiday season. But in fiscal year 2000, the comptroller's outreach program grew into a year-round, intensely hands-on effort. Employees didn't just donate money but became involved in the lives of those they helped. They didn't just cook for shelter residents but shared meals and conversation with them. They didn't just donate plants to a senior home but pulled weeds, planted, and hauled mulch to create gardens.

The efforts of the employees in the Comptroller's Office have made a difference. "We are truly grateful for your support...you are helping us keep on reaching out to our less fortunate neighbors," wrote a staff member of an Annapolis homeless shelter. "It takes a village to raise a child," said the extension service representative administering camp scholarships. "Individuals like you exemplify the true meaning of the proverb." From a



Food donated by the employees of the Comptroller's Office and Maryland 2000 for Harvest for the Hungry 2000 food drive.

crisis intervention center came these words: “Recently I had the opportunity to meet one of the individuals who has been preparing meals for our clients...she is a warm, caring individual like many of you who take the time and effort.”

*“We are truly
grateful for your
support...you are
helping us keep on
reaching out to our
less fortunate
neighbors...”*



INTRODUCTORY SECTION

STATE OF MARYLAND

SELECTED STATE OFFICIALS

EXECUTIVE

Parris N. Glendening
Governor

Kathleen Kennedy Townsend
Lieutenant Governor

William Donald Schaefer
Comptroller

J. Joseph Curran, Jr.
Attorney General

Richard N. Dixon
Treasurer

JUDICIAL

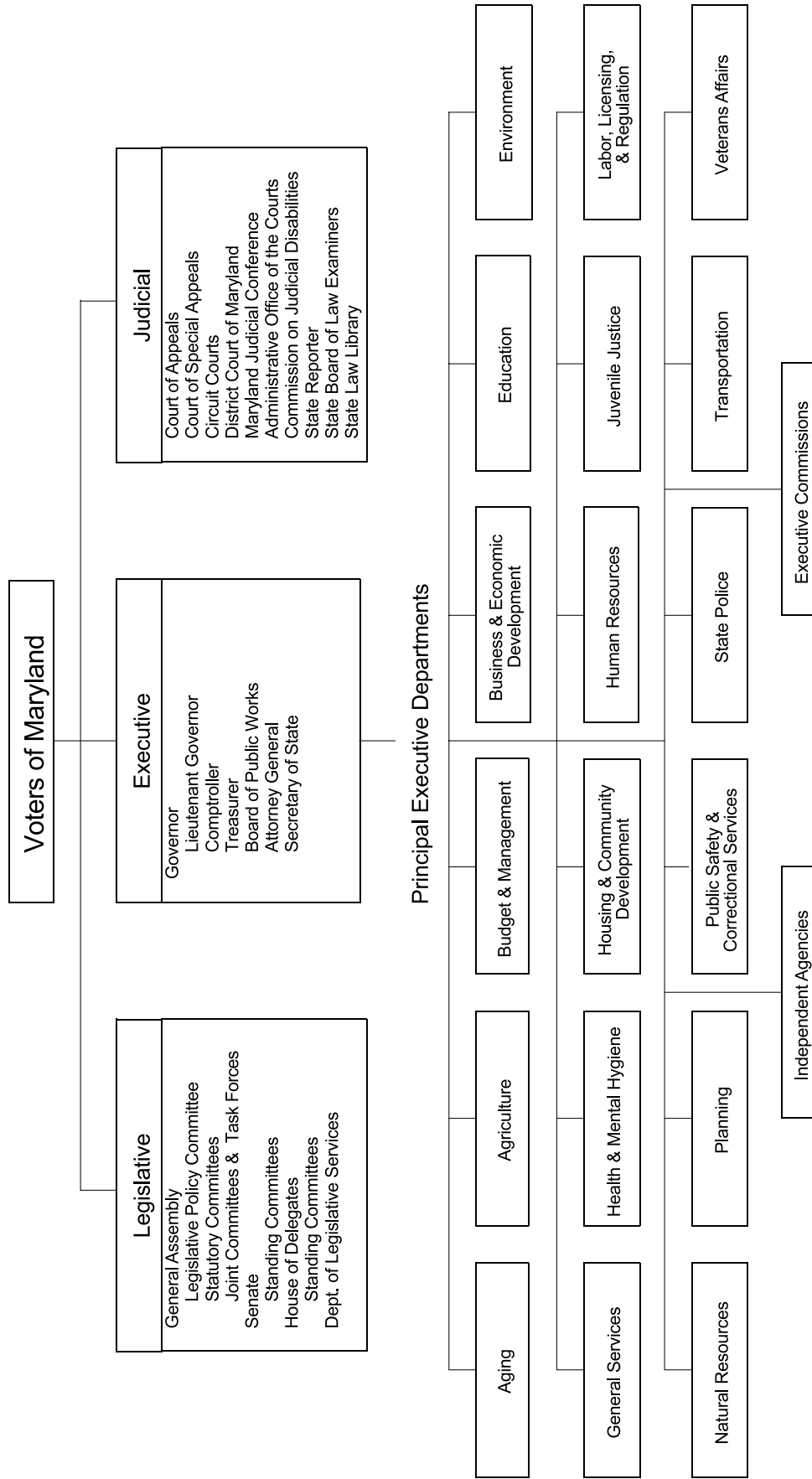
Robert M. Bell
Chief Judge
Court of Appeals of Maryland

LEGISLATIVE

Thomas V. M. Miller, Jr.
President of the Senate
(47 Senators)

Casper R. Taylor, Jr.
Speaker of the House of the Delegates
(141 Delegates)

OVERVIEW OF MARYLAND STATE GOVERNMENT



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney
President

Jeffrey L. Essler
Executive Director



William Donald Schaefer
Comptroller

John D. Kenney
Director
General Accounting Division

Honorable Members of the General
Assembly and the Governor,
State of Maryland:

November 27, 2000

INTRODUCTION

The Comprehensive Annual Financial Report of the State of Maryland, for the fiscal year ended June 30, 2000, submitted herewith, includes financial statements of the State of Maryland as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller. I believe that the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

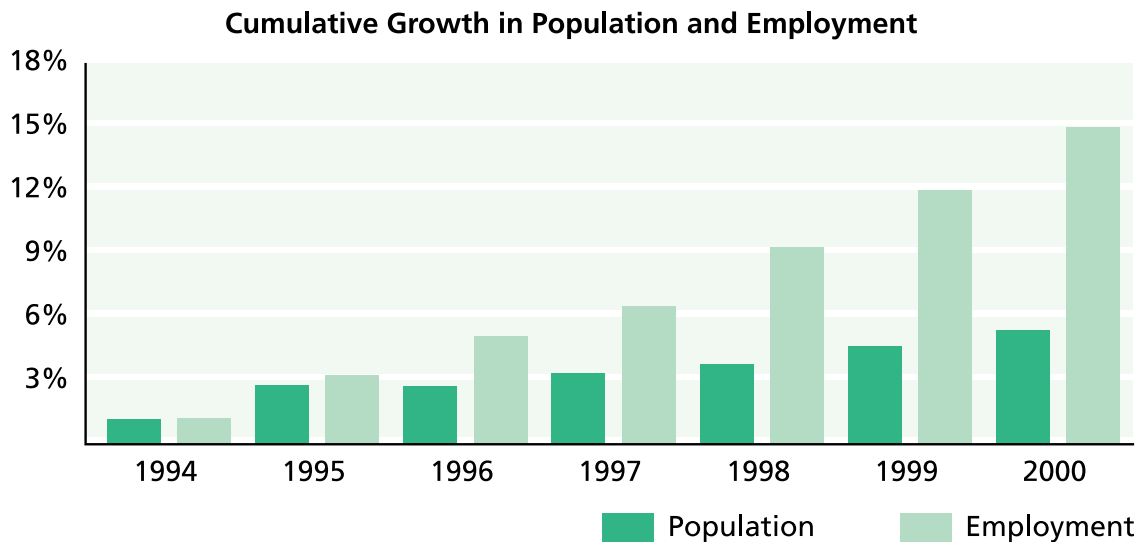
This Report is presented in three sections; introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the report of independent public accountants on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The accompanying financial statements include all funds and account groups of the State of Maryland (primary government), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. Accordingly, the various colleges and universities, the Maryland Industrial Development Financing Authority, the Maryland Stadium Authority, the Maryland Food Center Authority, Maryland Environmental Service and Maryland Prepaid College Trust are reported as discretely presented component units.

The Maryland Economy

Maryland's economy has performed better over the past three years than the rest of the 1990's by any measure. Employment growth was over 2.5% for each of the last three years, unemployment hit an all-time low of 3.5% in 1999, and personal income growth averaged over 6%. In some respects, 2000 is more of the same, with unemployment bottoming out at 3.0% in February and March before rising to 3.5% in August. Even better news is that in 1999 Maryland once again outperformed the U.S. economy. Marginally higher job growth, unemployment of 3.5% compared to 4.2% nationally, and personal income growth of 6.1% compared to the national figure of 5.4% indicate that Maryland has one of the better-performing economies in the country.



Source: U. S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

Maryland will not escape the coming slowdown, however. Higher fuel prices and interest rates and a volatile, stagnant stock market will bring Maryland growth from outstanding to merely respectable. Overall non-agricultural employment will slow from 2.8% in 2000 to 1.5% in 2001, before rebounding slightly in 2002. Government-sector employment is no longer a drag on the State's economy, and manufacturing employment will stop its long-term decline. While growth in the finance, insurance and real estate sector will slow dramatically in 2000 and 2001, construction and service employment will remain strong. Personal income growth will be sustained by a continuing tight labor market, falling only slightly from 6.6% in 2000 to 6.4% in 2001, then dropping slightly more to 5.9% in 2002.

Government employment has long been an important factor in Maryland's economy. Growth in the government sector in Maryland from 1982 to 1999 was 0.6% annually, compared to total employment growth in the State of 2.1% annually. Recent performance, however, has been more robust, averaging over 2% the last two years. The outlook for government employment may well be stronger than it has been at any point since the 1980's. The federal, State, and many county governments have sizeable surpluses. It is clear that the relative restraint in federal spending in the mid-1990's is over. The one clear downside in the federal sector is one that was entirely expected. With the completion of the 2000 Census, particularly the data-gathering work, roughly 2,500 full-time equivalent positions will be lost from the headquarters of that operation in Suitland and around the State. State and local government employment will continue to grow. There is currently a shortage of teachers in many parts of the State, but the enactment of legislation providing for bonuses, tax credits and low-cost mortgages for teachers may alleviate that shortage.

The manufacturing sector decreased 0.6% in 1999 and is expected to rise by a small amount in 2000. Thereafter, employment in this sector is anticipated to be unchanged. The manufacturing sector continues to be a tale of two diverse and differing subsectors. Core manufacturing, including GM and Bethlehem Steel, have not participated in the growth of employment that the Maryland economy has enjoyed over the last several years. However, an increase in productivity due to the incorporation of new technology has actually enhanced revenues at these facilities. High technology and, to a greater degree, biotechnology firms will likely drive any growth that occurs in the manufacturing sector in the coming years.

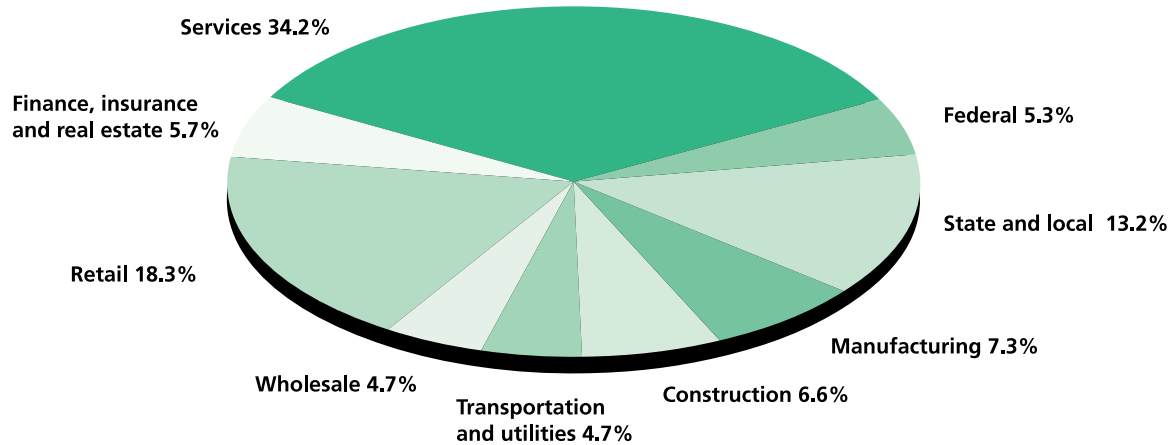
Employment growth in the construction sector increased at a rate of 6.6% in 1999, behind only the finance sector and more than double the rate of Maryland employment growth. A number of factors spurred this sector forward in 1999, including record low mortgage rates in 1998 and the early part of 1999 and an extremely tight market for office space, with low vacancy rates which haven't been seen since the mid-1980s. Vacancy rates for office space in downtown Baltimore have increased slightly through mid-2000 to 10.4%, although the rate for class A office space has declined from 4.5% to 3.9% over the first six months of the year. Rental rates for class A space have exceeded \$30 per square foot along Pratt Street and other downtown areas for the first time. The market is so tight that firms looking to expand are having to consider suburban locations.

The area around the Baltimore-Washington International Airport (BWI) is booming. Industrial space is increasingly in demand, with much of the new construction in the State occurring in this area. Speculative construction of both office and industrial space continues. The Maryland Aviation Administration recently announced a variety of improvements to BWI itself, including improving vehicular and pedestrian access to the airport, expanding the terminal by 243,000 square feet, building a 7,000 space parking garage, consolidating rental car activities to one facility, and potentially adding an intermodal transportation center. Along with the airport improvements, the influx of employers to the area and the opening of Arundel Mills Mall will result in a continuing development of shopping, eating and other establishments, transportation improvements, possibly even including an extension of light rail, and other ancillary development. Even if the construction sector in the rest of the State slows substantially, activity in this region will ensure continued employment growth over the next several years.

Although mortgage rates have increased to around 8% from their record lows near 6.5% over the past eighteen months, housing construction remains at relatively high levels. Housing starts, which increased by over 20% in 1998, declined by 0.9% in 1999 although single-family starts actually increased by 2.1%. Much of the new construction is in the luxury range, with homes of up to 24,000 square feet being built. With the economy showing some signs of slowing, reducing the likelihood of further interest rate hikes, housing starts are expected to remain at around 30,000 annually. It is possible that this sector will be less affected by interest rate changes than in the past since adjustable rate mortgages are now widely available.

Employment in the transportation sector grew by almost 5% in 1999, double the growth rate for the entire Maryland economy. So far this year employment growth has continued to be above average. Transportation employment is expected to grow about 3.5% in 2000 and slow thereafter. The strong growth in 1999 and 2000 is heavily influenced by developments at BWI which continue to enhance the airport's popularity compared with other airports in the region. In August, BWI set the fourth consecutive monthly record for passengers traveling through the terminal, qualifying it as the nation's fastest growing airport and surpassing Dulles International Airport earlier in the year.

Employment by Sector — 2000 Forecast
Total jobs — 2,447,700



Source: Bureau of Revenue Estimates of Maryland State Comptroller's Office, June 30, 2000.

The joint acquisition of Conrail by CSX and Norfolk Southern has meant little additional traffic so far for Maryland and no additional employment. An expected pick-up in traffic this fall has failed to materialize, possibly due to a slowdown in manufacturing, especially for chemicals. Mild summer weather has also slowed demand. Recently, an increase in fuel costs has hurt the railroads, but long-term elevated prices could be beneficial for two reasons. First, transportation by rail is more fuel-efficient than by road, the major competitor, and second, a substitute fuel-coal-is best transported by rail.

The Port of Baltimore is the fourth largest on the East Coast and generates almost 145,000 direct and indirect maritime jobs. In September, the Masonville facility opened, which allows the Port to strengthen its market share in the Roll On/Roll Off (Ro-Ro) market. Its Ro-Ro share reached 46% of the East Coast market in 1999. It continues to dominate in the import of tractors and trucks and the export of automobiles. Baltimore also imports more wood pulp than any other U.S. port and growth in forest products soared 41% during the past year. This was highlighted by a decision by UPM-Kymmene and Mesta-Serla, both of Finland, who each decided to use the Port of Baltimore as their main destination for imported magazine-quality paper.

Deregulation has brought a tremendous amount of uncertainty and change to the utility sector. While these businesses may take advantage of deregulation and grow rapidly, there is certainly no guarantee that the Maryland-based companies will prosper; even if they do, with their market reach now nationwide, there is no guarantee that the Maryland economy will directly benefit. Nonetheless, the early signs are promising as Maryland firms seem to have joined the vanguard of deregulation despite a later start than was available to utilities in many other states. Maryland's electric utilities have changed dramatically over the past year. Pepco has reached an agreement to sell almost all of its generating facilities, and BGE's have been transferred to Constellation Energy Group, which will shortly be separating from BGE. Similarly, Allegheny Energy has transferred its generating assets to its non-regulated affiliate, but at this point they plan to remain affiliated.

Consolidation and competition will result in job losses in these areas, particularly in the aspects of this sector directly related to the old regulated businesses. These losses will be offset to a degree by the new ventures undertaken and supported by these companies. More importantly, the dynamism and efficiencies generated by these changes may have a substantial impact on the State in the longer term. These dramatic changes to the utility sector are expected to result in modest job losses in 2000 and 2001, before stabilizing in 2002.

The communications sector is likewise undergoing rapid change as a result of both deregulation and the Internet. The recent merger of Bell Atlantic and GTE into Verizon will have a tremendous impact on the operations of a long-time Maryland institution. Since a large amount of infrastructure and customer service needs will remain, and since neither Bell Atlantic nor GTE had major management operations in Maryland, the

impact on Maryland employment should not be substantial. The Verizon strike, however, did have a modest impact on Maryland employment in August, with over 8,000 individuals on strike for nearly a month. The convergence of telecommunications, cable, and Internet companies is continuing. While the mergers and consolidations in this area make employment losses likely, the economic activity in this sector will be large, and will improve the performance of virtually all other segments of the economy.

In 1999, retail employment grew about 1.7% in Maryland compared with an increase of 2.5% for all sectors of the Maryland economy. Retail represents about 20% of total Maryland employment and is the second largest sector in the State. Employment is expected to grow about 2.2% in the retail sector in 2000, and will slow slightly to between 1.0% and 1.5% in 2001 and 2002. Acceleration in retail employment growth this year is partially attributed to the grand opening of the Arundel Mills Mall. When complete, the 1.4 million square foot mall is expected to employ over 3,000 people. The mall will be opening in two stages and is expected to house 15 to 18 anchor tenants and 200 specialty retail stores.

Employment in financial services grew 3.9% in 1999, well above the growth of total employment in Maryland. Growth is expected to slow significantly this year after several years of above average growth and then remain below average. Employment growth in 1998 and 1999 reflects the excellent financial conditions experienced nationwide up until early this year. Although the Federal Reserve began raising interest rates in June 1999, the economy continued to perform well and real GDP rose over 5.2% through June 2000. The Dow-Jones Industrial Average actually peaked at over 11,700 in mid-January. In this environment, financial firms were busy and apt to add to their staffs. Since January, the Federal Reserve has raised the Federal Funds Rate another percentage point and the DJIA has remained between 10,000 and 11,000. Home sales have slowed and consumers and businesses have become a bit more cautious.

The outlook for Maryland's financial sector includes a consolidated and slowing banking sector balanced by somewhat brighter prospects for nonbanking financial institutions given the national outlook for a stable Fed and less volatile financial markets. Banking mergers and consolidations continued in 2000. Many of these combinations have shifted jobs to the South, especially to Virginia and South Carolina. At best, employment has held steady in Maryland. The largest federally chartered banks in Maryland, e.g., Allfirst and Mercantile, have remained solid and have tried to grow not only by expanding branches but increasing their breadth of services.

On the other hand, nonbanking institutions and brokerages have done well and continue to expand their assets under management despite a not so positive market outlook. Legg Mason has moved to the U.S.F & G. building on Light Street to obtain more space for its operations, and continues to solidify its position in the business of retirement planning by acquiring small institutional money managers across the country. T. Rowe Price is expanding its service operations in Owings Mills and has doubled the size of its investment center downtown. Price is also awaiting permission to open a savings bank under the bank holding company name of the T. Rowe Price Group Inc. Combinations between regional brokerages and other nonbank financial institutions are likely, resulting in a blurring of the traditional banking boundaries and possibly reducing local employment as operations are consolidated.

Real estate had a banner year in 1999, including both residential and nonresidential activity. Wealth generated by the stock market and technology companies has been invested in luxury homes. Low vacancy rates and solid income growth have combined to encourage demand and raise property values. The large number of new and expanding businesses has generated a great deal of activity in the BWI area, the I-270 corridor and elsewhere.

Service employment grew a robust 3.5% in 1999 and healthy growth is expected throughout the forecast period. Over one of every three jobs is a service job, and more than 40% of new jobs are in this sector. Business and health services are the two largest components of the service sector. Business services include building maintenance, personnel services and computer and data processing services. Business services grew over 5.0% in 1999 and employment growth is expected to be robust. Technology-related services are providing much of the growth. USInternetworking, a provider of Internet-based business solutions based in Annapolis, is the fastest-growing publicly-held company in the State. Business service employment will be given a further boost by the contracting out of certain telecommunications and computer services by the National Security Agency (NSA). These roughly 1,000 positions will appear to be a net gain in Maryland employment, since positions at the NSA are not included in official employment statistics.

Employment in health services rose only 1.0% in 1999, including a small increase in hospital employment. The consolidation of local hospitals has put pressure on employment growth in Maryland, with many hospitals

projecting operating losses for the year. Between last year's reimbursement rate rollback of 1%, a nursing shortage, and increasing pharmaceutical costs, hospitals have had to adapt and seek ways to become profitable. MedStar Health has taken over Georgetown University Medical Center's clinical operations and has cut its own physicians group and reduced its staff. MedStar, which operates four hospitals in Baltimore and two in Washington, is the fifteenth largest community-owned, not-for-profit health care system in the country. Harford hospitals have combined medical staffs in anticipation of opening the new Upper Chesapeake Medical facility, while St. Joseph's announced that it would trim its pediatric unit.

The agricultural sector of Maryland's economy has experienced more than its share of problems over the past few years. From record low commodity prices to pfisteria to drought, the news of the late 1990s has not been good. The tide seems to have turned in 2000, however. Early-season rains got the growing season off to a good start, and there has been no serious presence of pfisteria for two years. Despite improving conditions, some problems persist.

Production of corn, soybean and tobacco may hit record levels in 2000 after a dismal 1999 in most areas of the State, although other grains are not doing as well. Unfortunately, prices for most agricultural products remain at low levels and, when adjusted for inflation, are at all-time low levels for a number of products. Tobacco is one of the few products not selling at relatively low prices, but tobacco clearly does not have a future in Maryland. The State is offering a buyout plan to tobacco farmers, funded with 5% of the money from the tobacco industry settlement. In many cases, farmers could make more from the buyout than from producing tobacco. The program will require an appropriation each year; even if it is not funded, tobacco will continue to decline. Current production in the State is about 25% of that from the early 1980s. While income from the agricultural sector will certainly be higher in 2000 than in 1999, the benefit to the State will not be large as this sector accounts for less than 1% of gross state product. Gains in 2001 and 2002 are less likely, due to the excellent growing conditions for many crops in 2000.

MAJOR INITIATIVES

New laws enacted by the 2000 General Assembly and signed by Governor Parris N. Glendening focused on education at all levels. Significant investments were made in higher education, public school construction and primary and secondary education. Other increases in funding have gone to fighting crime, creating jobs and preservation of the environment. Tobacco settlement funds are being targeted to health, education and agriculture.

During the upcoming General Assembly Session, the Glendening Administration plans to introduce legislation and budget initiatives to strengthen Maryland's Smart Growth laws, increase the mass transit system and usage, and address environmental concerns. There will be funds requested for continued growth for higher education, K – 12 education, public safety programs and programs that provide services to special needs populations. The Governor also plans to increase funding for school construction and capital projects at higher education institutions.

FINANCIAL INFORMATION

The State has issued guidelines to its agencies for establishing effective internal control. Internal control is the overall plan of organization and all the coordinate methods used to safeguard assets, ensure the reliability of the accounting data, promote efficient operations and ensure compliance with established governmental policies, laws, regulations and contracts. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met.

As a recipient of federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Additionally, the State is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act, Amendments of 1996 and U.S. Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations." Detail information related to the single audits is included in separate reports.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each state agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations.

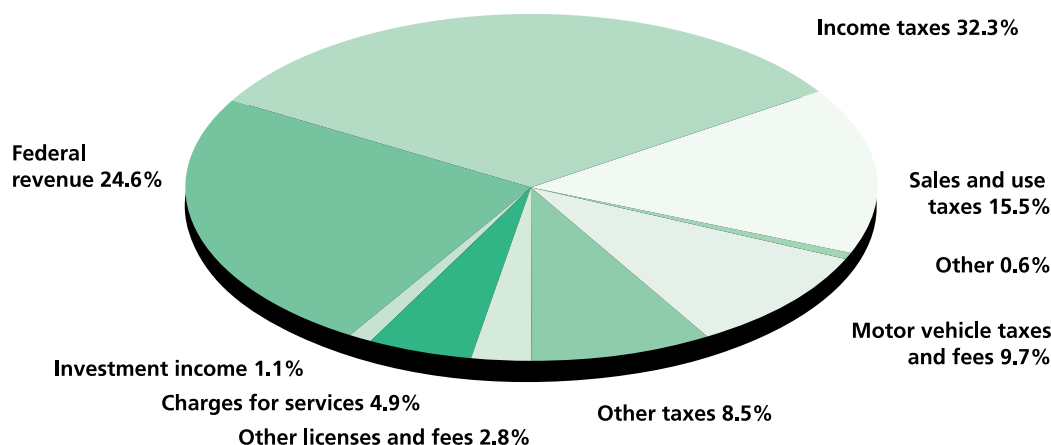
Maryland maintains its accounts to conform with generally accepted accounting principles and also to comply with the legally mandated budget. Financial control is generally exercised under the budgetary system.

GENERAL GOVERNMENTAL FUNCTIONS

Revenues of the general governmental functions (excluding capital projects) totaled \$16,159,992,000 for the fiscal year ended June 30, 2000. This represents an increase of 8.1% over revenues for the fiscal year 1999. Income tax, the largest source of revenue, produced 32.3% of general governmental revenues compared to 32.4% last year. The revenues from various sources and the changes from last year are shown in the following tabulation (amounts expressed in thousands):

| Revenue Source | Amount | Increase(Decrease) Over 1999 Actual | |
|--|---------------------|--|-------------|
| | | Amount | Percent |
| Income taxes | \$ 5,223,740 | \$378,334 | 7.8% |
| Sales and use taxes | 2,497,531 | 198,265 | 8.6 |
| Motor vehicle taxes and fees | 1,570,433 | 62,535 | 4.1 |
| Other taxes | 1,366,807 | 162,900 | 13.5 |
| Other licenses and fees | 459,063 | 130,621 | 39.8 |
| Charges for services | 793,722 | 35,024 | 4.6 |
| Interest and other investment income | 177,980 | 20,895 | 13.3 |
| Federal revenue | 3,973,662 | 291,970 | 7.9 |
| Other | 97,054 | (67,868) | (41.2) |
| Total | \$16,159,992 | \$1,212,676 | 8.1% |

General Government Revenues by Source



Source: Revenue Reports by General Accounting Division of Maryland State Comptroller's Office, June 30, 2000

Individual and corporate income tax totaled \$4,804,399,000 and \$419,341,000 respectively, representing an increase of \$360,462,000 and \$17,872,000, compared to the prior year. The individual income taxes increased 8.1% due to continued increases in jobs, wages and capital gains while corporate income tax revenues increased by 4.5% reflecting increases in productivity and strong gains in corporate profitability.

Sales and use taxes increased \$198,265,000 or 8.6% over the previous year primarily due to the strong economy and to an overall increase in sales of goods to the utility and construction industries.

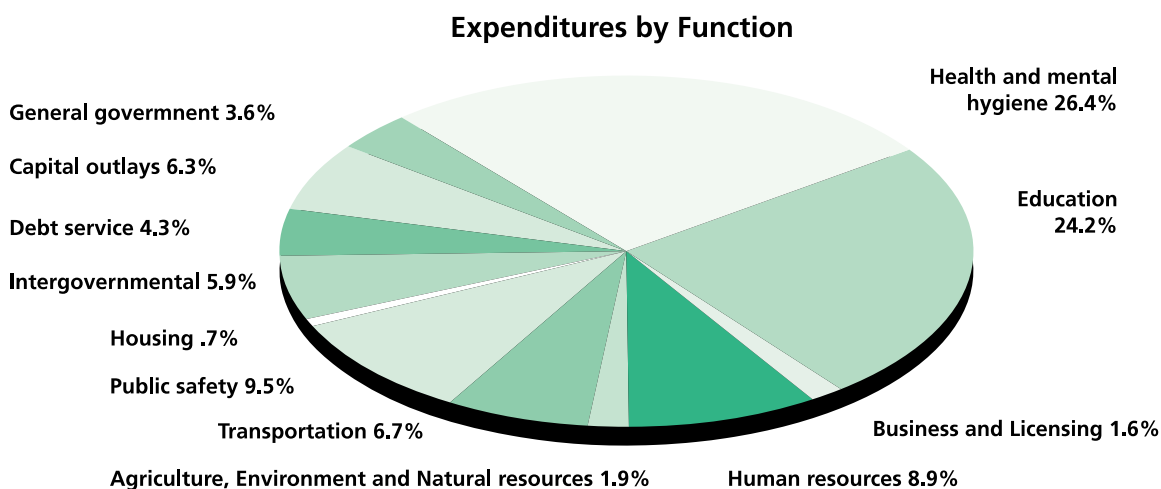
Other taxes increased by \$162,900,000 or 13.5% primarily due to an increase in the cigarette tax. Taxes on cigarettes increased from .36 cents to .66 cents per pack of cigarettes effective July 1, 1999. There were also increases in real estate recordation taxes and transfer taxes.

The State of Maryland received the first installment of funds, \$138,821,000, related to the Tobacco settlement. This installment resulted in a net increase to other licenses and fees revenues of \$130,621,000 or 39.8%. Without this settlement, there would have been a decrease in other licenses and fees revenue of \$8,200,000 or 2.5%.

Due to the strong economy, the State had more funds to invest. As such, interest income grew 13.3% for an increase of \$20,895,000. In addition, Federal revenue to the State grew 7.9% for an additional \$291,970,000 of federal assistance. The increases of federal revenue were primarily due to increases to medicaid and children's health programs as well as increased funding and new grants provided to the State Department of Education. Other revenues decreased \$67,868,000 or 41.2% from the prior year primarily due to a reclassification of revenues to an expenditure reimbursement.

Changes in levels of expenditures for major functions from the previous year (excluding capital projects) are shown in the following tabulation (amounts expressed in thousands):

| Function | Amount | Increase(Decrease) Over 1999 Actual | |
|--|--------------|--|---------|
| | | Amount | Percent |
| Current: | | | |
| General government | \$ 546,049 | \$ 51,021 | 10.3% |
| Education..... | 3,626,739 | 186,685 | 5.4 |
| Business and economic development | 54,593 | 4,249 | 8.4 |
| Labor, licensing and regulation | 183,363 | 25,171 | 15.9 |
| Human resources | 1,341,603 | 55,953 | 4.4 |
| Health and mental hygiene | 3,956,048 | 356,371 | 9.9 |
| Environment..... | 73,910 | 5,791 | 8.5 |
| Transportation..... | 1,007,331 | 27,771 | 2.8 |
| Public safety and judicial..... | 1,435,979 | 86,215 | 6.4 |
| Housing and community development | 103,804 | (2,800) | (2.6) |
| Natural resources and recreation | 147,179 | 15,638 | 11.9 |
| Agriculture | 59,552 | 6,474 | 12.2 |
| Intergovernmental..... | 889,522 | 29,452 | 3.4 |
| Debt service | 640,887 | 37,257 | 6.2 |
| Capital outlays for transportation | 945,924 | (4,236) | (0.4) |
| Total..... | \$15,012,483 | \$881,012 | 6.2% |



Source: Expenditure Reports by General Accounting Division of Maryland State Comptroller's Office, June 30, 2000.

Expenditures for general government increased \$51,021,000 or 10.3% over the previous year. This increase was primarily due to Year 2000 conversion projects and an increase in the amount of state support per homeowner for the Homeowner's Tax credit program.

Education expenditures increased \$186,685,000 or 5.4% due to an increase in educational grants and additional funds provided to the State's community colleges. Additionally, more money was made available for scholarships to Maryland's college students.

Business and economic development expenditures increased \$4,249,000 or 8.4% over the previous year due to a planned increase for financial assistance programs for Maryland citizens and businesses.

Health and mental hygiene expenditures increased \$356,371,000 or 9.9% over the prior year. This increase is due primarily to increased expenditures in the medicaid and developmental disabilities programs and personnel costs.

Expenditures for environment increased \$5,791,000 or 8.5% over the previous year primarily for drinking water initiatives.

Expenditures for public safety and judicial services increased \$86,215,000 or 6.4% over the previous year primarily due to growth in the inmate population. Planned increases in personnel costs within the Division of Corrections, Parole and Probation, Juvenile Justice and the State Police has increased staffing and program effectiveness.

Natural resources and recreation expenditures increased \$15,638,000 or 11.9% over the previous year. This increase is primarily due to increased funding for wildlife, land and water conservation programs. Personnel costs also increased due to cost of living adjustments for State law enforcement personnel.

Expenditures for agriculture increased \$6,474,000 or 12.2% over the previous year primarily for agricultural land preservation. Additional financial support was utilized in implementing the Water Quality Improvement program.

Expenditures for labor, licensing and regulation increased \$25,171,000 or 15.9% over the previous year primarily due to expenditures for regional call centers for Division of Employment and Training.

Operating transfers in to the general fund from capital projects, enterprise funds (State Lottery Agency, Economic Development – Insurance programs, and Economic Development – Loan Programs) and component units (Maryland Industrial Development Financing Authority and higher education) totaled \$426,443,000. This represents an increase of 5,942,000 over the previous year. This increase is due primarily to increases in State Lottery Agency transfers. Operating transfers out from the general fund to capital projects, enterprise funds, and higher education and proprietary component units totaled \$1,209,703,000. This represents an increase of \$196,568,000 over the previous year. This was primarily due to increased funding for loan programs, higher education and pay-as-you-go capital projects.

The fund balance for the general fund at June 30, 2000, was \$2,370,067,000 representing an increase of \$392,102,000 over the previous year's balance. The fund balance for the general fund has shown a pattern of continuous and substantial increase during the last seven years.

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary general fund balance at June 30, 2000, reflected a total fund balance and an undesignated balance of \$1,789,700,000 and \$151,760,000, respectively. For information on differences between GAAP and the budgetary system, see footnote 3 to the general purpose financial statements.

The special revenue unreserved fund balance of \$418,314,000 increased \$174,557,000 from the preceding year. This was primarily due to increases in motor vehicle taxes, direct financing leases and bond proceeds. The debt service unreserved fund balance of \$98,550,000 decreased \$1,580,000 from the previous year.

CAPITAL PROJECTS FUND

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end, which are assets of the State, are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the component units fund types. During fiscal year 2000, State projects costing \$285,867,000 were completed. State grants for capital projects of local governments and other public organizations amounted to \$297,463,000 in the fiscal year, an increase of \$6,218,000 from 1999.

Authorized but unissued general obligation bonds at June 30, 2000, totaled \$1,363,620,000.

GENERAL FIXED ASSETS

The general fixed assets of the State are those used in the performance of general governmental functions and exclude the fixed assets of the proprietary fund type and the component units. As of June 30, 2000, the general fixed assets of the State amounted to \$10,551,166,000. This amount represents the actual or estimated cost of the assets. Depreciation of general fixed assets is not recognized in the State's accounting system. Infrastructure assets, consisting principally of highways, roads, bridges and tunnels, are not recorded in general fixed assets.

ENTERPRISE, FIDUCIARY AND COMPONENT UNIT FUNDS

The retained earnings for enterprise funds increased during 2000 by \$118,712,000, compared to an increase of \$3,568,000 in fiscal year 1999. The Economic Development – Insurance Programs reported an increase of \$1,251,000 in retained earnings. The retained earnings for the Economic Development-Loan Programs increased by \$109,481,000. This increase was primarily due to increased earnings on investments. The State Lottery Agency reported \$406,747,000 income before transfers, of which \$401,013,000 was transferred out accounting for a net increase of \$5,734,000 in its retained earnings.

Fiduciary fund types include the expendable trust fund, investment trust fund, pension trust funds and agency funds. Agency funds are custodial in nature and do not report fund balances. All other fiduciary fund types reported fund balances of \$36,441,779,000 at June 30, 2000, compared to \$32,977,703,000 at June 30, 1999. The increase was due primarily to increased net assets in expendable trust funds and pension funds.

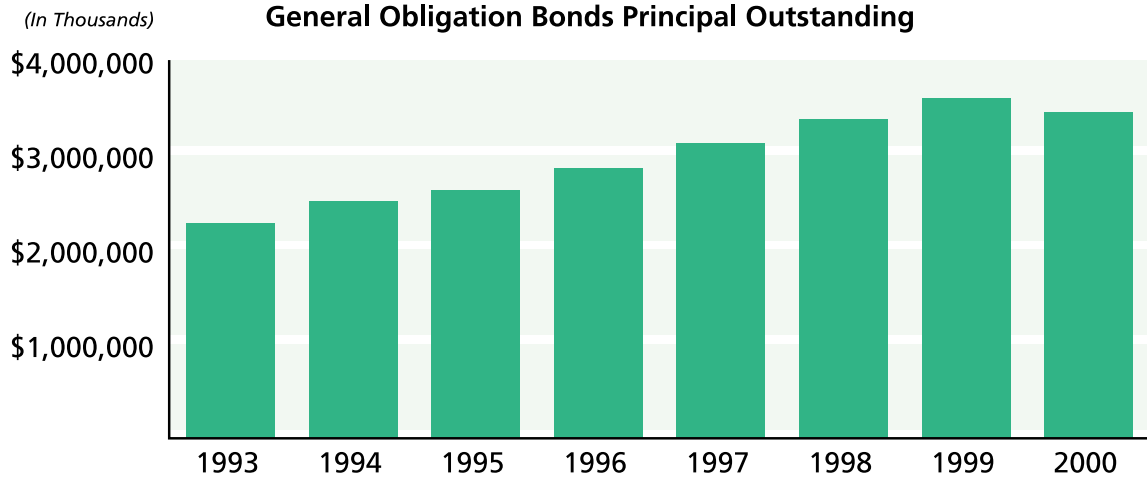
The State Retirement and Pension System of Maryland was established to provide pension benefits for State employees and employees of 127 participating political subdivisions and 98 participating municipal corporations within the State. The Mass Transit Administration Pension Plan was established to provide pension benefits for all Mass Transit Administration employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. The annual actuarial valuation continues to reflect a positive trend in funding of the pension plans.

The total fund balance for the higher education component units was \$3,608,821,000 at June 30, 2000, compared to \$3,417,581,000 at June 30, 1999. Retained earnings for the proprietary component units totaled \$249,112,000 for June 30, 2000. This represents an increase in retained earnings of \$424,000 for the Maryland Food Center Authority, \$798,000 for the Maryland Environmental Service, \$4,255,000 for the Maryland Industrial Development Financing Authority, \$3,752,000 for Maryland Prepaid College Trust and a \$3,583,000 decrease for the Maryland Stadium Authority.

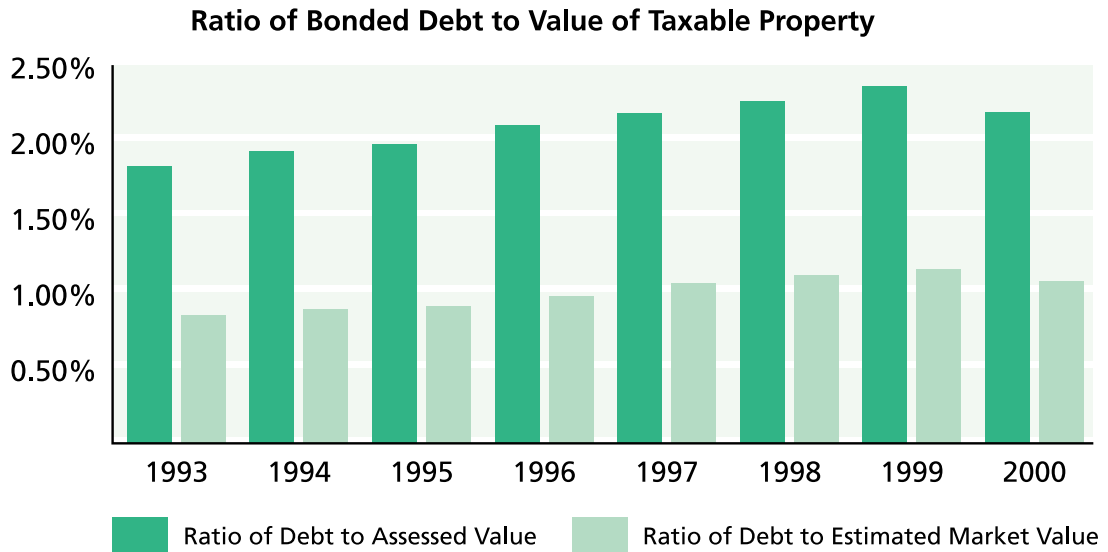
DEBT ADMINISTRATION

The ratios of net bonded debt to assessed property value, debt to present market value, and bonded debt per capita are considered to be useful indicators of the State's debt position to State management, citizens and investors. Data for fiscal years 1993 to 2000 are shown as follows:

| | Amount (expressed in thousands) | Ratio of Net Bonded Debt to Assessed Value (46.6% of Present Market) | Ratio of Debt to Estimated Market Value | Bonded Debt Per Capita |
|---------------------------|---------------------------------------|--|---|------------------------------|
| General Obligation Bonds: | | | | |
| 2000 | \$3,348,866 | 2.19% | 1.02% | \$647.50 |
| 1999 | 3,500,228 | 2.36 | 1.10 | 681.67 |
| 1998 | 3,270,525 | 2.26 | 1.06 | 642.03 |
| 1997 | 3,025,394 | 2.18 | 1.01 | 596.49 |
| 1996 | 2,859,939 | 2.10 | .97 | 567.17 |
| 1995 | 2,619,069 | 1.98 | .91 | 519.04 |
| 1994 | 2,504,004 | 1.93 | .89 | 504.33 |
| 1993 | 2,279,390 | 1.83 | .85 | 464.42 |



Source: Office of Administration and Finance, Maryland State Comptrollers Office, 2000.



Source: The Forty-seventh through Fifty-sixth Report of the State Department of Assessments and Taxation.

Additionally, outstanding limited obligation bonds of the Department of Transportation and the Maryland Transportation Authority amounted to \$729,820,000 and \$318,674,000 respectively, at June 30, 2000. The State is also ultimately responsible to pay certain debt of two of its component units via capital leases with these component units. As of June 30, 2000, the outstanding capital lease balance was \$302,848,000. Debt service on the Department of Transportation bonds is provided principally by excise taxes levied by statute. Debt service on the Maryland Transportation Authority is payable from revenues of Authority projects. Self-supporting revenue bonds outstanding at June 30, 2000, amounted to \$3,756,240,000. This represents an increase of \$110,167,000 from the prior year. As of June 30, 2000, long-term obligations for accrued annual leave of \$182,918,000 represent the value of accumulated earned but unused annual leave in the general long term debt account group. The general long term obligations for unpaid self-insurance claims totaled \$145,216,000.

The following tabulation shows the general obligation bonds issued during the past three fiscal years:

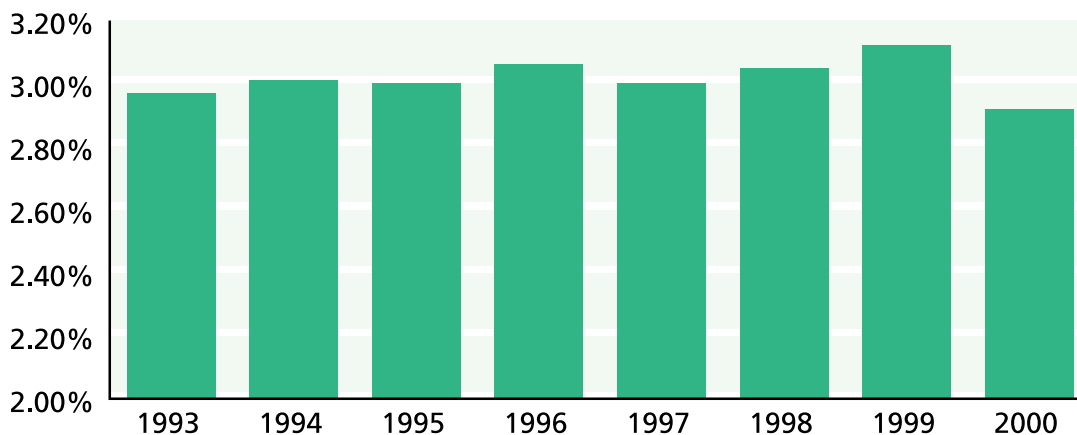
STATE OF MARYLAND-GENERAL OBLIGATION BONDS

| Date of Issue | Amount | Average Life in Years | Effective Interest Rate | Interest Cost Per Borrowed Dollar |
|-----------------|----------------|--------------------------|-------------------------------|---|
| July 29, 1999 | \$ 125,000,000 | 9.6 | 5.1% | 48.6¢ |
| March 11, 1999 | 225,000,000 | 9.6 | 4.2 | 40.1 |
| July 22, 1998 | 250,000,000 | 9.7 | 5.1 | 49.1 |
| March 5, 1998 | 250,000,000 | 9.7 | 4.9 | 47.0 |
| August 14, 1997 | 250,000,000 | 9.7 | 5.0 | 48.1 |

Maryland's general obligation bonds have been rated Aaa by Moody's Investors Service and AAA by Standard and Poor's and Fitch Investors, Inc., for a number of years.

Maryland tax supported debt outstanding as a percent of personal income remains below the Capital Debt Affordability Committee Criteria Standard of 3.2% of personal income. For the fiscal year 2000, State tax supported debt outstanding amounted to \$4,939,803,000 which is 2.9% of total Maryland personal income.

State Tax Supported Debt Outstanding as a Percentage of Personal Income

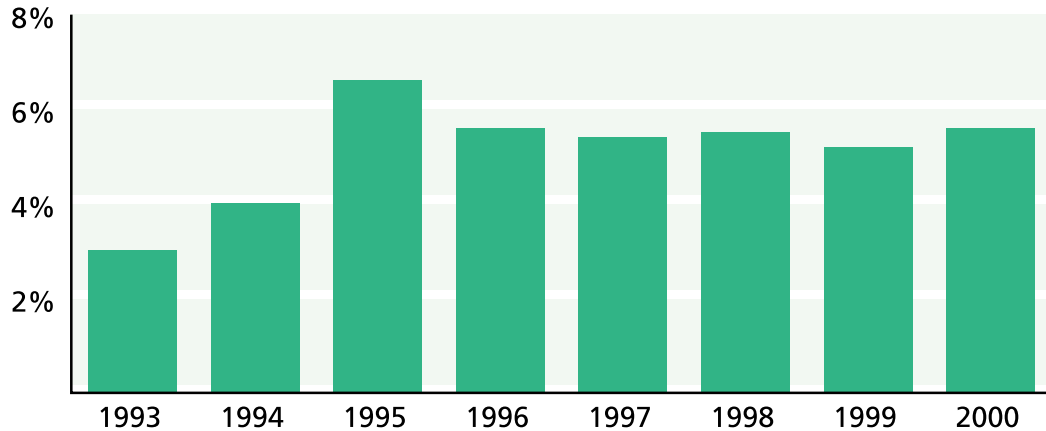


Source: Report of the Maryland Capital Debt Affordability Committee, 2000.

CASH MANAGEMENT

During the year, temporary surpluses of cash in general governmental funds were invested in repurchase agreements, U.S. Treasury and agency obligations, and money market accounts with maturities ranging from 1 to 365 days. As of June 30, 2000, the State's cash resources for general governmental funds were invested as follows: in repurchase agreements, 70.7%; in U.S. Treasury and agency obligations, 8.1%; and money market accounts and other, 21.2%. The average yield on maturing investments during the year was 5.6%, as compared to 5.2% in the prior year, and the amount of interest received was \$193,897,000 which was \$18,952,000 more than the previous year.

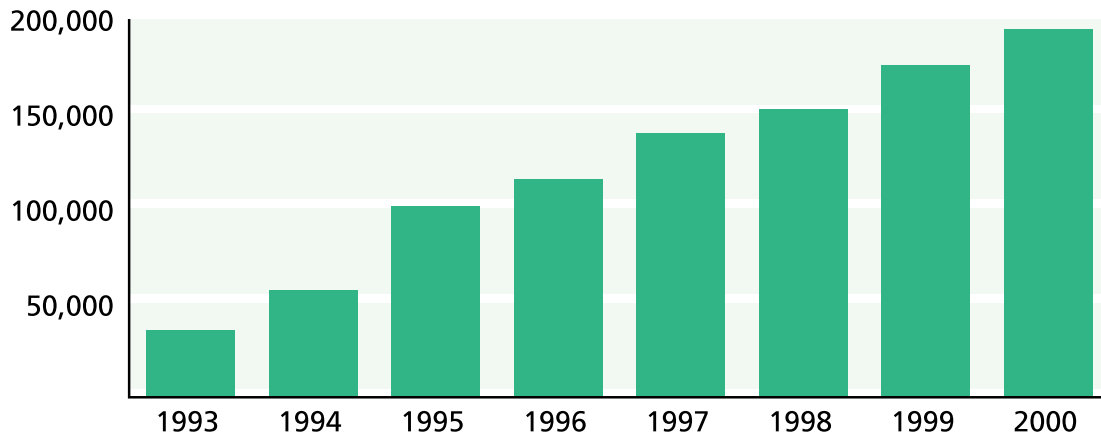
The Average Yield on Maturing Investments 1993 - 2000



Source: Investments Report, State Treasurer's Office, 2000.

Interest Received on Maturing Investments of General Governmental Funds

(In Thousands)



Source: Investments Report, State Treasurer's Office, 2000.

RISK MANAGEMENT

The State is involved in legal proceedings, which normally occur in government operations. Such proceedings, in the opinion of the Attorney General, are not likely to have a material adverse impact on the financial position of the State's funds.

The State self-insures toward most claims of risk of loss, including general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. All funds, agencies and authorities of the State participate in the self-insurance programs. As of June 30, 2000, the State, including its component units, has recorded \$224,717,000 in liabilities associated with its self-insurance programs.

Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks.

OTHER INFORMATION

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of the Treasury's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. Although certain of those reports include presentations of detailed financial data and contain expressions of opinion thereon, the audits are usually not made for that purpose. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's general purpose financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of Ernst & Young LLP has been included in the financial section of this report. In addition, Ernst & Young LLP performs audits to meet the requirements of the federal Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations"; such information being contained in other reports.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 20 consecutive years (fiscal years ended 1980-1999). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,



William Donald Schaefer
Comptroller of the Treasury
of Maryland

FINANCIAL SECTION

Report of Independent Auditors

The Honorable William D. Schaefer,
Comptroller of the Treasury of Maryland:

We have audited the accompanying general purpose financial statements of the State of Maryland as of June 30, 2000 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of (1) Maryland Transportation Authority; (2) Maryland Water Quality Financing Administration; (3) Maryland State Lottery Agency; (4) State Use Industries; (5) Certain direct loan and insurance programs of the Maryland Departments of Housing and Community Development and Business and Economic Development included in the Economic Development Fund; (6) Deferred Compensation Plan; (7) Maryland Local Government Investment Pool; (8) State Retirement and Pension System of Maryland; (9) Maryland Food Center Authority; (10) Maryland Environmental Service; and (11) Maryland Industrial Development Financing Authority, which represent the percentages of the total assets, operating revenues or additions, and expenditures, expenses or deductions of the fund types listed below.

| Fund Type/Agency or Component Unit | Total Assets | Percentage of Total Fund Type | |
|---|--------------|------------------------------------|--|
| | | Operating Revenues or Additions | Expenditures, Expenses, or Deductions |
| Enterprise | 99.6 | 99.7 | 99.8 |
| Maryland Water Quality Financing Administration | | | |
| Maryland State Lottery Agency | | | |
| State Use Industries | | | |
| Economic Development | | | |
| Special Revenue | 38.8 | 6.8 | 5.7 |
| Maryland Transportation Authority | | | |
| Debt Service | 60.1 | .5 | 7.1 |
| Maryland Transportation Authority | | | |
| Trust and Agency | 94.3 | — | — |
| Expendable Trust | — | 43.9 | 18.9 |
| Deferred Compensation Plan | | | |
| Investment and Pension Trust | — | 99.7 | 99.7 |
| Maryland Local Government Investment Pool | | | |
| State Retirement and Pension System of Maryland | | | |
| Component Unit Proprietary | 16.5 | 55.8 | 49.4 |
| Maryland Food Center Authority | | | |
| Maryland Environmental Service | | | |
| Maryland Industrial Development Financing Authority | | | |

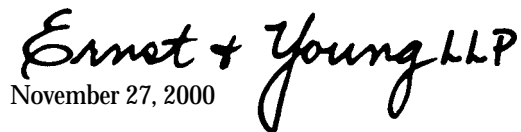
Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, expressed herein, insofar as it relates to the amounts included for the above-mentioned agencies and component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Maryland as of June 30, 2000, and the results of its operations and the cash flows of its Enterprise Funds and Component Unit Proprietary Funds for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and to meet legal reporting requirements and are not a required part of the general purpose financial statements. Such information, except for the Schedules of Estimated Revenues – Budgetary Basis and General, Special, Federal, Current Unrestricted and Current Restricted Fund – Budgetary Basis for the year ending June 30, 2001 (pages 103 and 104), which we did not audit, has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script. The 'E' and 'Y' are particularly large and prominent. Below the script, the date 'November 27, 2000' is printed in a simple, sans-serif font.

November 27, 2000



COMPTROLLER
of MARYLAND

Serving the People

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

STATE OF MARYLAND

Combined Balance Sheet

All Fund Types, Account Groups and Discretely Presented Component Units

June 30, 2000

(Expressed in Thousands)

| | Governmental Fund Types | | | | Fiduciary Fund Types | | Account Groups | | Total Primary Government (Memorandum Only) | | Component Units | | Total Reporting Entity (Memorandum Only) |
|--|-------------------------|-----------------|-----------|--------------|----------------------|------------------------|------------------|--------------|--|----------------|------------------|------------------------|--|
| | General | Special Revenue | | Debt Service | Capital Projects | Proprietary Fund Types | | General | | Long-Term Debt | Higher Education | Proprietary Fund Types | |
| | | | | | | Enterprise | Trust and Agency | Fixed Assets | | | | | |
| | | | | | | | | | | | | | |
| Assets and Other Debits: | | | | | | | | | | | | | |
| Assets: | | | | | | | | | | | | | |
| Cash and cash equivalents..... | \$2,591,219 | \$ 90,764 | \$ 79,458 | | \$ 186,383 | \$ 1,831,824 | | | \$ 4,779,648 | \$ 80,005 | \$ 2,261 | \$ 4,861,914 | |
| Cash with fiscal agent | | | 4,739 | | | | | | 4,739 | | | | |
| Investments | 1,352,128 | 225,770 | 11,235 | | 1,465,660 | 33,773,952 | | | 36,828,745 | 214,437 | 56,793 | 37,099,975 | |
| Amount on deposit with U. S. Treasury | | | | | | 876,720 | | | 876,720 | | | 876,720 | |
| Taxes receivable, net | 720,758 | 74,931 | 7,181 | | | 288,257 | | | 1,091,127 | | | 1,091,127 | |
| Intergovernmental receivables..... | 601,203 | 130,518 | | | | | | | 731,721 | 3,499 | | 735,220 | |
| Tuition contracts receivable..... | | | | | | | | | | | | 45,794 | |
| Other accounts receivable..... | 137,901 | 46,509 | 676 | \$ 911 | 76,650 | 751,959 | | | 1,014,606 | 160,580 | 14,741 | 1,189,927 | |
| Due from other funds | 56,863 | 194,669 | | 363,277 | 304,130 | 1,120,341 | | | 2,039,280 | | | 2,039,280 | |
| Due from primary government..... | | | | | | | | | | 446,961 | 46,064 | 493,025 | |
| Due from component units..... | 8,444 | | | | | | | | 8,444 | | | 8,444 | |
| Collateral for loaned securities..... | | | | | | | | | 2,179,954 | | | 2,179,954 | |
| Inventories..... | | | | | | | | | 6,427 | 10,180 | | 16,607 | |
| Loans and notes receivable, net..... | | | | | | | | | 2,636,892 | 66,242 | 6,618 | 2,709,752 | |
| Investment in direct financing leases | 3,802 | 11,843 | 21,096 | 11,954 | 2,588,197 | | | | | | | 302,848 | |
| Loans to component units | 620 | | | | | | | | 6,992 | | | 6,992 | |
| Property, plant and equipment, net..... | | | 6,372 | | 8,690 | | \$10,551,166 | | 10,559,856 | 3,684,144 | 25,481 | 14,269,481 | |
| Restricted assets..... | | | | | | | | | | | 1,186 | 1,186 | |
| Other assets | 257,599 | 34,945 | | | 98,414 | | | | 390,958 | 65,375 | 243,335 | 699,668 | |
| Other Debits: | | | | | | | | | | | | | |
| Amounts available in debt service fund for retirement of - | | | | | | | | | | | | | |
| General obligation bonds | | | | | | | | \$ 15,565 | 15,565 | | | 15,565 | |
| Transportation bonds | | | | | | | | 4,343 | 4,343 | | | 4,343 | |
| Maryland Transportation Authority bonds | | | | | | | | 78,642 | 78,642 | | | 78,642 | |
| Amounts to be provided for retirement of - | | | | | | | | | | | | | |
| General obligation bonds..... | | | | | | | | 3,333,301 | 3,333,301 | | | 3,333,301 | |
| Transportation bonds | | | | | | | | 725,477 | 725,477 | | | 725,477 | |
| Maryland Transportation Authority bonds | | | | | | | | 240,032 | 240,032 | | | 240,032 | |
| Accrued self-insurance costs | | | | | | | | 145,216 | 145,216 | | | 145,216 | |
| Accrued annual leave..... | | | | | | | | 182,918 | 182,918 | | | 182,918 | |

[illegible]

STATE OF MARYLAND

**Combined Statement of Revenues, Expenditures, Other Sources
and Uses of Financial Resources and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
for the year ended June 30, 2000**

(Expressed in Thousands)

| | Governmental Fund Types | | | | Fiduciary Fund Types Expendable Trust | Total Primary Government (Memorandum Only) |
|--|-------------------------|--------------------|------------------|---------------------|--|--|
| | General | Special Revenue | Debt Service | Capital Projects | | |
| Revenues: | | | | | | |
| Income taxes | \$ 5,223,740 | | | | | \$ 5,223,740 |
| Sales and use taxes | 2,497,531 | | | | | 2,497,531 |
| Motor vehicle taxes and fees | | \$1,570,433 | | | | 1,570,433 |
| Other taxes | 1,113,870 | | \$252,937 | | \$ 369,597 | 1,736,404 |
| Other licenses and fees | 459,063 | | | | | 459,063 |
| Charges for services | 314,057 | 479,665 | | | | 793,722 |
| Interest and other investment income | 147,816 | 27,338 | 2,826 | \$ 15,917 | 183,541 | 377,438 |
| Federal revenue | 3,475,172 | 498,490 | | | 466 | 3,974,128 |
| Employee contributions | | | | | 90,894 | 90,894 |
| Employer contributions | | | | | 14,547 | 14,547 |
| Other | 72,137 | 22,733 | 2,184 | 2,428 | 672 | 100,154 |
| Total revenues | 13,303,386 | 2,598,659 | 257,947 | 18,345 | 659,717 | 16,838,054 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 546,049 | | | | 69,543 | 615,592 |
| Education | 3,626,739 | | | | | 3,626,739 |
| Business and economic development | 54,593 | | | | 300,347 | 354,940 |
| Labor, licensing and regulation | 183,363 | | | | | 183,363 |
| Human resources | 1,341,603 | | | | | 1,341,603 |
| Health and mental hygiene | 3,956,048 | | | | | 3,956,048 |
| Environment | 73,910 | | | | | 73,910 |
| Transportation | | 1,007,331 | | | | 1,007,331 |
| Public safety and judicial | 1,435,979 | | | | | 1,435,979 |
| Housing and community development | 103,804 | | | | | 103,804 |
| Natural resources and recreation | 147,179 | | | | | 147,179 |
| Agriculture | 59,552 | | | | | 59,552 |
| Intergovernmental | 376,131 | 513,391 | | 297,463 | | 1,186,985 |
| Debt service: | | | | | | |
| Principal retirement | | | 406,047 | | | 406,047 |
| Interest | | | 234,840 | | | 234,840 |
| Capital outlays | | 945,924 | | 175,965 | | 1,121,889 |
| Total expenditures | 11,904,950 | 2,466,646 | 640,887 | 473,428 | 369,890 | 15,855,801 |
| Excess (deficiency) of revenues over expenditures | 1,398,436 | 132,013 | (382,940) | (455,083) | 289,827 | 982,253 |
| Other sources (uses) of financial resources: | | | | | | |
| Capital leases | 19,735 | 34,754 | | | | 54,489 |
| Direct financing leases | | 20,000 | | | | 20,000 |
| Proceeds from bonds | | 75,494 | | 126,923 | | 202,417 |
| Operating transfers in | 490,674 | 141,584 | 379,323 | 310,336 | | 1,321,917 |
| Operating transfers in from component units | 1,108 | | | | | 1,108 |
| Operating transfers out | (688,143) | (272,193) | (52) | (30,860) | | (991,248) |
| Operating transfers out to component units | (829,708) | | | (88,292) | | (918,000) |
| Net other sources (uses) of financial resources | (1,006,334) | (361) | 379,271 | 318,107 | | (309,317) |
| Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources | 392,102 | 131,652 | (3,669) | (136,976) | 289,827 | 672,936 |
| Fund balances, July 1, 1999 | 1,977,965 | 390,747 | 129,687 | 450,251 | 2,216,849 | 5,165,499 |
| Net effect of accounting change | | | | | 44,687 | 44,687 |
| Fund balances, June 30, 2000 | \$ 2,370,067 | \$ 522,399 | \$126,018 | \$313,275 | \$2,551,363 | \$ 5,883,122 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Revenues, Expenses and

Changes in Retained Earnings

Enterprise Funds and Component Unit Proprietary Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | Primary Government Enterprise Funds | Component Unit Proprietary Funds | Total Reporting Entity (Memorandum Only) |
|---|--|---|--|
| Operating revenues: | | | |
| Lottery ticket sales | \$1,172,882 | | \$1,172,882 |
| Charges for services and sales | 50,164 | \$ 77,927 | 128,091 |
| Tuition contracts | | 13,477 | 13,477 |
| Interest and other investment income | 220,848 | | 220,848 |
| Other | 6,318 | 5,217 | 11,535 |
| Total operating revenues | 1,450,212 | 96,621 | 1,546,833 |
| Operating expenses: | | | |
| Prizes and claims | 656,720 | | 656,720 |
| Commissions | 68,626 | | 68,626 |
| Cost of sales and services | 31,006 | | 31,006 |
| Operation and maintenance of facilities | 10,098 | 64,904 | 75,002 |
| General and administrative | 56,939 | 12,302 | 69,241 |
| Interest | 152,830 | | 152,830 |
| Depreciation and amortization | 2,966 | 12,299 | 15,265 |
| Provision for insurance on loan losses, net | 23,712 | (582) | 23,130 |
| Tuition benefits | | 15,666 | 15,666 |
| Other | 17,837 | 1,711 | 19,548 |
| Total operating expenses | 1,020,734 | 106,300 | 1,127,034 |
| Operating income | 429,478 | (9,679) | 419,799 |
| Non-operating revenues (expenses): | | | |
| Investment income | 2,299 | 4,842 | 7,141 |
| Interest expense | (120) | (22,064) | (22,184) |
| Other | 17,475 | 2,345 | 19,820 |
| Operating income (loss) before transfers | 449,132 | (24,556) | 424,576 |
| Operating transfers in | 77,439 | | 77,439 |
| Operating transfers in from primary government | | 30,780 | 30,780 |
| Operating transfers out | (408,108) | | (408,108) |
| Operating transfers out to primary government | | (816) | (816) |
| Net income | 118,463 | 5,408 | 123,871 |
| Add: Depreciation of assets acquired from contributed capital | 249 | 238 | 487 |
| Increase in retained earnings | 118,712 | 5,646 | 124,358 |
| Retained earnings, July 1, 1999. | 493,403 | 243,466 | 736,869 |
| Retained earnings, June 30, 2000 | \$ 612,115 | \$249,112 | \$ 861,227 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Combined Statement of Cash Flows
Enterprise Funds and Component Unit Proprietary Funds
for the year ended June 30, 2000
(Expressed in Thousands)

| | Primary Government Enterprise Funds | Component Unit Proprietary Funds | Total Reporting Entity (Memorandum Only) |
|--|--|---|---|
| Cash flows from operating activities: | | | |
| Operating income (loss) | \$429,478 | \$ (9,679) | \$419,799 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 2,966 | 12,299 | 15,265 |
| Loss on disposal of property, plant and equipment | 215 | | 215 |
| Effect of changes in assets and liabilities: | | | |
| Other accounts receivable | (14,588) | 2,268 | (12,320) |
| Tuition contracts receivable | | 12,401 | 12,401 |
| Due from other funds/primary government | (49,541) | (4,309) | (53,850) |
| Inventories | (654) | | (654) |
| Loans and notes receivable | (121,783) | | (121,783) |
| Other assets | (10,240) | (2,186) | (12,426) |
| Accounts payable and accrued liabilities | 3,133 | 2,590 | 5,723 |
| Accrued tuition benefits | | 12,027 | 12,027 |
| Due to other funds | 3,676 | (757) | 2,919 |
| Accrued insurance on loan losses | (5,171) | (331) | (5,502) |
| Other liabilities | (1,085) | (1,560) | (2,645) |
| Deferred revenue | (881) | (213) | (1,094) |
| Accrued self insurance costs | 4 | 83 | 87 |
| Accrued annual leave | 110 | 70 | 180 |
| Lottery installment payments | (111,475) | | (111,475) |
| Future lottery prize installments | 52,645 | | 52,645 |
| Net cash provided by operating activities | 176,809 | 22,703 | 199,512 |
| Cash flows from non-capital financing activities: | | | |
| Third party contributions | | 1,000 | 1,000 |
| Proceeds from sale of revenue bonds | 529,587 | 250 | 529,837 |
| Payment on revenue bonds | (394,574) | | (394,574) |
| Operating transfers in | 77,439 | | 77,439 |
| Operating transfers in from primary government | | 30,780 | 30,780 |
| Operating transfers out | (408,108) | | (408,108) |
| Operating transfers out to primary government | | (816) | (816) |
| Contributed capital | 41,954 | | 41,954 |
| Grant recoveries | 74 | | 74 |
| Net cash provided (used) by non-capital financing activities | (153,628) | 31,214 | (122,414) |
| Cash flows from capital and related financing activities: | | | |
| Investments in direct financing leases | | 6,897 | 6,897 |
| Increase in interest in direct financing lease | | (3,698) | (3,698) |
| Proceeds from notes payable and revenue bonds | 2,210 | 121,380 | 123,590 |
| Principal paid on notes payable and revenue bonds | (1,032) | (131,918) | (132,950) |
| Interest payments | (120) | (22,064) | (22,184) |
| Acquisition and construction of property, plant and equipment | (3,836) | (2,680) | (6,516) |
| Decrease in revenue bond debt service account | | (397) | (397) |
| Proceeds from property, plant and equipment sales | 16 | 66 | 82 |
| Net cash used by capital and related financing activities | (2,762) | (32,414) | (35,176) |
| Cash flows from investing activities: | | | |
| Proceeds from maturity and sale of investments | 668,370 | 27,835 | 696,205 |
| Purchase of investments | (714,344) | (57,580) | (771,924) |
| Interest on investments | 21,217 | 4,889 | 26,106 |
| Increase in loans and notes receivable | | 209 | 209 |
| Lease principal interest payments received | | 1,154 | 1,154 |
| Net cash used by investing activities | (24,757) | (23,493) | (48,250) |
| Net decrease in cash and cash equivalents | (4,338) | (1,990) | (6,328) |
| Cash and cash equivalents balance, July 1, 1999 | 190,721 | 4,251 | 194,972 |
| Cash and cash equivalents balance, June 30, 2000 | \$186,383 | \$ 2,261 | \$188,644 |

Noncash transactions (amount in thousands):

Enterprise funds--Unrealized gain on investments \$4,137. The acquisition of equipment totaling \$143 which was financed by contributed capital from the State.
Proprietary funds--Unrealized gain on investments \$1,302.

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Changes in Plan Net Assets

Investment and Pension Trust Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | Investment Trust Fund | Pension Trust Funds | Total |
|---|--------------------------|------------------------|--------------|
| Additions: | | | |
| Contributions: | | | |
| Employers | | \$ 277,804 | \$ 277,804 |
| Members | \$2,531,218 | 182,507 | 2,713,725 |
| Sponsors | | 418,339 | 418,339 |
| Total Contributions | 2,531,218 | 878,650 | 3,409,868 |
| Investment income: | | | |
| Net appreciation in fair value of investment | | 2,794,048 | 2,794,048 |
| Interest | 46,047 | 622,611 | 668,658 |
| Dividends | | 235,951 | 235,951 |
| Real estate operating net income | | 19,548 | 19,548 |
| Total investment income | 46,047 | 3,672,158 | 3,718,205 |
| Less: investment expense | | 174,520 | 174,520 |
| Net investment income | 46,047 | 3,497,638 | 3,543,685 |
| Total additions | 2,577,265 | 4,376,288 | 6,953,553 |
| Deductions: | | | |
| Benefit payments | | 1,200,878 | 1,200,878 |
| Distribution to participants | 45,671 | | 45,671 |
| Redemptions (Unit transactions at \$1.00 per unit) | 2,540,331 | | 2,540,331 |
| Refunds | | 16,805 | 16,805 |
| Administrative expenses | 376 | 19,930 | 20,306 |
| Total deductions | 2,586,378 | 1,237,613 | 3,823,991 |
| Net (decrease) increase in plan assets | (9,113) | 3,138,675 | 3,129,562 |
| Net assets held in trust for plan participants and pension benefits: | | | |
| July 1, 1999 | 710,384 | 30,050,470 | 30,760,854 |
| June 30, 2000 | \$ 701,271 | \$33,189,145 | \$33,890,416 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Combined Statement of Revenues, Expenditures and Encumbrances,
Other Sources and Uses of Financial Resources,
and Changes in Fund Balances - Budget and Actual -
Budgetary General, Special and Federal Funds (Note 3)
for the year ended June 30, 2000**

(Expressed in Thousands)

| | General Fund | | | Special Fund | | | Federal Fund | | | Totals (Memorandum Only) | | |
|--|------------------|------------------|------------------------------------|------------------|------------------|------------------------------------|------------------|------------------|------------------------------------|-----------------------------|-------------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) | Final Budget | Actual | Variance Positive (Negative) | Final Budget | Actual | Variance Positive (Negative) | Final Budget | Actual | Variance Positive (Negative) |
| | | | | | | | | | | | | |
| Revenues: | | | | | | | | | | | | |
| Income taxes..... | \$4,982,762 | \$5,065,796 | \$ 83,034 | \$ 100,250 | \$ 100,598 | \$ 348 | | | | \$ 5,083,012 | \$ 5,166,394 | \$ 83,382 |
| Sales and use taxes..... | 2,446,815 | 2,478,539 | 31,724 | 16,400 | 18,991 | 2,591 | | | | 2,463,215 | 2,497,530 | 34,315 |
| Other taxes..... | 743,177 | 742,453 | (724) | 1,555,194 | 1,613,214 | 58,020 | | | | 2,298,371 | 2,355,667 | 57,296 |
| Licenses and fees..... | 110,866 | 135,549 | 24,683 | 401,537 | 462,675 | 61,138 | | | | 512,403 | 598,224 | 85,821 |
| Charges for services..... | 242,605 | 236,118 | (6,487) | 782,662 | 550,393 | (232,269) | | | | 1,025,267 | 786,511 | (238,756) |
| Interest and other investment income..... | 105,100 | 168,051 | 62,951 | 11,714 | 31,914 | 20,200 | | | | 116,814 | 199,965 | 83,151 |
| Other..... | 441,129 | 565,591 | 124,462 | 542,459 | 482,205 | (60,254) | | | | 983,588 | 1,047,796 | 64,208 |
| Federal revenue..... | 1,993 | 2,663 | 670 | 43,000 | 47,230 | 4,230 | \$4,134,666 | \$3,758,015 | (376,651) | 4,179,659 | 3,807,908 | (371,751) |
| Total revenues..... | 9,074,447 | 9,394,760 | 320,313 | 3,453,216 | 3,307,220 | (145,996) | 4,134,666 | 3,758,015 | (376,651) | 16,662,329 | 16,459,995 | (202,334) |
| Expenditures and encumbrances by major function: | | | | | | | | | | | | |
| Payments of revenue to civil divisions of the State..... | 73,857 | 73,857 | | 1,341 | 1,341 | | | | | 75,198 | 75,198 | |
| Public debt..... | 95,223 | 95,194 | 29 | 271,945 | 269,887 | 2,058 | | | | 367,168 | 365,081 | 2,087 |
| Legislative..... | 50,465 | 50,465 | | | | | | | | 50,465 | 50,465 | |
| Judicial review and legal..... | 292,698 | 292,245 | 453 | 24,949 | 22,643 | 2,306 | 3,183 | 2,949 | 234 | 320,830 | 317,837 | 2,993 |
| Executive and administrative control..... | 325,296 | 324,665 | 631 | 70,814 | 68,429 | 2,385 | 89,884 | 68,136 | 21,748 | 485,994 | 461,230 | 24,764 |
| Financial and revenue administration..... | 162,863 | 162,635 | 228 | 56,920 | 55,173 | 1,747 | | | | 219,783 | 217,808 | 1,975 |
| Budget and management..... | 79,932 | 77,557 | 2,375 | 27,869 | 25,164 | 2,705 | | | | 107,801 | 102,721 | 5,080 |
| Retirement and pension..... | | | | 26,946 | 26,787 | 159 | | | | 26,946 | 26,787 | 159 |
| General services..... | 40,201 | 40,201 | | 2,734 | 2,048 | 686 | | | | 42,935 | 42,249 | 686 |
| Transportation and highways..... | | | | 1,993,554 | 1,962,690 | 30,864 | 491,491 | 472,515 | 18,976 | 2,485,045 | 2,435,205 | 49,840 |
| Natural resources and recreation..... | 67,077 | 66,875 | 202 | 142,139 | 140,575 | 1,564 | 26,884 | 23,858 | 3,026 | 236,100 | 231,308 | 4,792 |
| Agriculture..... | 29,838 | 29,838 | | 38,713 | 37,796 | 917 | 2,889 | 2,630 | 259 | 71,440 | 70,264 | 1,176 |
| Health, hospitals and mental hygiene..... | 2,109,232 | 2,109,170 | 62 | 200,934 | 198,031 | 2,903 | 1,679,822 | 1,635,909 | 43,913 | 3,989,988 | 3,943,110 | 46,878 |
| Human resources..... | 463,006 | 462,905 | 101 | 52,925 | 49,362 | 3,563 | 949,713 | 791,647 | 158,066 | 1,465,644 | 1,303,914 | 161,730 |
| Labor, licensing and regulation..... | 22,724 | 22,632 | 92 | 16,651 | 14,394 | 2,257 | 149,750 | 127,260 | 22,490 | 189,125 | 164,286 | 24,839 |
| Public safety and correctional services..... | 673,672 | 673,192 | 480 | 116,992 | 114,543 | 2,449 | 24,505 | 21,198 | 3,307 | 815,169 | 808,933 | 6,236 |
| Public education..... | 3,936,782 | 3,934,418 | 2,364 | 40,245 | 34,662 | 5,583 | 623,673 | 549,448 | 74,225 | 4,600,700 | 4,518,528 | 82,172 |
| Housing and community development..... | 31,228 | 31,227 | 1 | 45,960 | 43,591 | 2,369 | 49,472 | 45,585 | 3,887 | 126,660 | 120,403 | 6,257 |
| Business and economic development..... | 73,185 | 73,185 | | 69,144 | 63,171 | 5,973 | 622 | 406 | 216 | 142,951 | 136,762 | 6,189 |

| | | | | | | | | | | | | |
|---|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-------------|-------------|-----------|
| Environment | 42,134 | 42,067 | 67 | 199,993 | 197,915 | 2,078 | 23,862 | 20,594 | 3,268 | 265,989 | 260,576 | 5,413 |
| Juvenile services | 129,937 | 129,933 | 4 | 835 | 712 | 123 | 17,747 | 16,677 | 1,070 | 148,519 | 147,322 | 1,197 |
| State police | 203,971 | 203,967 | 4 | 51,613 | 50,560 | 1,053 | 1,169 | 891 | 278 | 256,753 | 255,418 | 1,335 |
| State reserve fund | 135,297 | 135,297 | | | | | | | | 135,297 | 135,297 | |
| Reversions: | | | | | | | | | | | | |
| Current year reversions | (25,000) | (9,361) | (25,000) | | (12,459) | 12,459 | | (49,638) | 49,638 | (25,000) | (71,458) | (25,000) |
| Prior year reversions | | | 9,361 | | | | | | | | | 71,458 |
| Total expenditures and encumbrances | 9,013,618 | 9,022,164 | (8,546) | 3,453,216 | 3,367,015 | 86,201 | 4,134,666 | 3,730,065 | 404,601 | 16,601,500 | 16,119,244 | 482,256 |
| Changes in encumbrances during fiscal year 2000 | | 34,554 | (34,554) | | (160,921) | 160,921 | | 39,055 | (39,055) | | (87,312) | 87,312 |
| Total expenditures | 9,013,618 | 9,056,718 | (43,100) | 3,453,216 | 3,206,094 | 247,122 | 4,134,666 | 3,769,120 | 365,546 | 16,601,500 | 16,031,932 | 569,568 |
| Excess of revenues over (under) expenditures | 60,829 | 338,042 | 277,213 | | 101,126 | 101,126 | | (11,105) | (11,105) | 60,829 | 428,063 | 367,234 |
| Other sources (uses) of financial resources: | | (62,803) | (62,803) | | 62,798 | 62,798 | | 11,105 | 11,105 | | 11,100 | 11,100 |
| Operating transfers in (out) | | | | | | | | | | | | |
| Excess of revenues over expenditures and | | | | | | | | | | | | |
| other sources of financial resources | 60,829 | 275,239 | 214,410 | | 163,924 | 163,924 | | | | 60,829 | 439,163 | 378,334 |
| Fund balances, July 1, 1999 | 1,514,461 | 1,514,461 | | 748,253 | 748,253 | | | | | 2,262,714 | 2,262,714 | |
| Fund balances, June 30, 2000 | \$1,575,290 | \$1,789,700 | \$214,410 | \$748,253 | \$912,177 | \$163,924 | \$— | \$— | \$— | \$2,323,543 | \$2,701,877 | \$378,334 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Statement of Current Fund Revenues,

Expenditures, and Other Changes

Component Unit Higher Education Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | Current Funds | | Current Funds |
|---|------------------|-----------------|------------------|
| | Unrestricted | Restricted | Total |
| Revenues: | | | |
| Student tuition and fees | \$ 592,029 | | \$ 592,029 |
| Grants and contracts | 88,293 | \$550,030 | 638,323 |
| Sales and services | 413,858 | 2 | 413,860 |
| Investment income - | | | |
| Endowment income | 563 | 6,858 | 7,421 |
| Other interest and dividend income | 23,714 | | 23,714 |
| Other | 19,428 | 1,387 | 20,815 |
| Total revenues | 1,137,885 | 558,277 | 1,696,162 |
| Expenditures and mandatory transfers: | | | |
| Instruction | 661,449 | 41,211 | 702,660 |
| Research | 120,654 | 315,786 | 436,440 |
| Public service | 34,544 | 88,591 | 123,135 |
| Academic support | 168,420 | 3,891 | 172,311 |
| Student services | 90,943 | 2,993 | 93,936 |
| Institutional support | 219,775 | 2,510 | 222,285 |
| Operation and maintenance of plant | 150,355 | 8 | 150,363 |
| Scholarships and fellowships | 84,017 | 72,630 | 156,647 |
| Hospital | 4,271 | 29,146 | 33,417 |
| Auxiliary enterprises | 238,309 | 1,013 | 239,322 |
| Total expenditures | 1,772,737 | 557,779 | 2,330,516 |
| Mandatory transfers out | 66,152 | (34) | 66,118 |
| Total expenditures and mandatory transfers | 1,838,889 | 557,745 | 2,396,634 |
| Other transfers and additions (deductions): | | | |
| Non-mandatory transfers | (85,321) | 3,194 | (82,127) |
| Operating transfers in from primary government | 798,928 | | 798,928 |
| Operating transfers out to primary government | (292) | | (292) |
| Excess of transfers to revenue over restricted receipts | | 5,265 | 5,265 |
| Total transfers and other additions | 713,315 | 8,459 | 721,774 |
| Net increase in fund balances | \$ 12,311 | \$ 8,991 | \$ 21,302 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Statement of Changes in Fund Balances
Component Unit Higher Education Funds
for the year ended June 30, 2000**

(Expressed in Thousands)

| | Current Funds | | Loan Funds | Endowment | | Total |
|---|---------------|------------|------------|-----------|-------------|-------------|
| | Unrestricted | Restricted | | Funds | Plant Funds | |
| Revenue and other additions: | | | | | | |
| Education and general revenues..... | \$ 841,032 | | | | \$ 809 | \$ 841,841 |
| Auxiliary enterprise revenues | 296,853 | | | | | 296,853 |
| Government grants and contracts - restricted..... | | \$526,248 | | | | 526,248 |
| Private gifts, grants and contracts | | 110,824 | \$ 2 | \$ 352 | 10,011 | 121,189 |
| Endowment income..... | | 29 | | | | 29 |
| Investment income..... | | 5,283 | 32 | 46 | 5,742 | 11,103 |
| Change in fair value on endowment investments..... | | | | (26,771) | | (26,771) |
| Gain on disposal of plant assets | | | | | 3,375 | 3,375 |
| Interest on loans receivable | | | 1,483 | | | 1,483 |
| Retirement of indebtedness..... | | | | | 35,603 | 35,603 |
| Expended for plant facilities (including \$46,308 charged to current funds expenditures) | | | | | 219,688 | 219,688 |
| Other | | 2 | 1,255 | 241 | 27,625 | 29,123 |
| Total revenues and other additions..... | 1,137,885 | 642,386 | 2,772 | (26,132) | 302,853 | 2,059,764 |
| Expenditures and other deductions: | | | | | | |
| Educational and general expenditures..... | 1,534,429 | 556,766 | | 29 | | 2,091,224 |
| Auxiliary enterprise expenditures..... | 238,309 | 1,013 | | | | 239,322 |
| Indirect costs recovered | | 78,057 | | | | 78,057 |
| Loan cancellations, write-offs and refunds, net of recoveries.. | | | 678 | | | 678 |
| Retirement of indebtedness..... | | | | | 35,603 | 35,603 |
| Interest on indebtedness | | | | | 32,354 | 32,354 |
| Payment to refunding bond trustee..... | | | | | 17,790 | 17,790 |
| Expended for plant facilities (including non-capitalized expenditures of \$25,122)..... | | | | | 197,904 | 197,904 |
| Disposal of property, plant and equipment | | | | | 58,624 | 58,624 |
| Other | | | 650 | 1,026 | 2,220 | 3,896 |
| Total expenditures and other deductions..... | 1,772,738 | 635,836 | 1,328 | 1,055 | 344,495 | 2,755,452 |
| Net (decrease) increase in fund balance before transfers.. | (634,853) | 6,550 | 1,444 | (27,187) | (41,642) | (695,688) |
| Transfers among funds - (deductions) additions: | | | | | | |
| Mandatory: | | | | | | |
| Debt service | (65,745) | (15) | | | 65,760 | |
| Loan fund matching grant | (358) | | 358 | | | |
| Non-mandatory: | | | | | | |
| Remodeling, renewals and replacements..... | (60,299) | (1,638) | | | 61,937 | |
| Other | (25,021) | 4,045 | (6) | (6,739) | 27,721 | |
| Total transfers among funds..... | (151,472) | 2,441 | 352 | (6,739) | 155,418 | |
| Operating transfers from primary government | 798,928 | | | | 88,292 | 887,220 |
| Operating transfers to primary government..... | (292) | | | | | (292) |
| Net increase (decrease) in fund balances | 12,311 | 8,991 | 1,796 | (33,926) | 202,068 | 191,240 |
| Fund balances, July 1, 1999..... | 136,594 | 37,756 | 64,154 | 251,641 | 2,927,436 | 3,417,581 |
| Fund balances, June 30, 2000..... | \$ 148,905 | \$ 46,747 | \$65,950 | \$217,715 | \$3,129,504 | \$3,608,821 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combining Balance Sheet

Component Unit Proprietary Funds

June 30, 2000

(Expressed in Thousands)

| | Maryland Stadium Authority | Maryland Food Center Authority | Maryland Environmental Service | Maryland Industrial Development Financing Authority | Maryland Prepaid College Trust | Total |
|---|----------------------------------|---|--------------------------------------|---|---|------------------|
| Assets: | | | | | | |
| Cash and cash equivalents..... | | | \$ 636 | | \$ 1,625 | \$ 2,261 |
| Investments..... | \$ 909 | | 22,451 | | 33,433 | 56,793 |
| Tuition contracts receivable..... | | | | | 45,794 | 45,794 |
| Other accounts receivable..... | 4,751 | \$ 107 | 9,883 | | | 14,741 |
| Due from primary government..... | 1,217 | 5,941 | | \$38,906 | | 46,064 |
| Loans and notes receivable, net..... | 6,618 | | | | | 6,618 |
| Property, plant and equipment, net..... | 299 | 16,541 | 8,635 | | 6 | 25,481 |
| Investments in direct financing leases..... | 293,492 | | 9,356 | | | 302,848 |
| Restricted assets..... | | 1,186 | | | | 1,186 |
| Other assets..... | 234,179 | | 9,156 | | | 243,335 |
| Total assets..... | \$541,465 | \$23,775 | \$60,117 | \$38,906 | \$80,858 | \$745,121 |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities..... | \$ 7,278 | \$ 73 | \$16,079 | \$ 70 | \$ 71 | \$ 23,571 |
| Accrued insurance on loan losses..... | | | | 4,634 | | 4,634 |
| Accrued tuition benefits..... | | | | | 76,208 | 76,208 |
| Other liabilities..... | 1,775 | 215 | 4,705 | | | 6,695 |
| Deferred revenue..... | 17,994 | 55 | | 133 | | 18,182 |
| Due to primary government..... | 8,272 | | | | 172 | 8,444 |
| Loans from primary government..... | | 6,372 | | | 620 | 6,992 |
| Revenue bonds and notes payable..... | 293,401 | 440 | 28,862 | | | 322,703 |
| Accrued self-insurance costs..... | 30 | 35 | 777 | | 8 | 850 |
| Accrued annual leave..... | 371 | 101 | 898 | | 27 | 1,397 |
| Total liabilities..... | 329,121 | 7,291 | 51,321 | 4,837 | 77,106 | 469,676 |
| Capital: | | | | | | |
| Contributed capital..... | | 376 | 2,207 | 23,750 | | 26,333 |
| Retained earnings: | | | | | | |
| Reserved..... | | 839 | 4,572 | | | 5,411 |
| Unreserved..... | 212,344 | 15,269 | 2,017 | 10,319 | 3,752 | 243,701 |
| Total capital..... | 212,344 | 16,484 | 8,796 | 34,069 | 3,752 | 275,445 |
| Total liabilities and capital..... | \$541,465 | \$23,775 | \$60,117 | \$38,906 | \$80,858 | \$745,121 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combining Statement of Revenues, Expenses

and Changes in Retained Earnings

Component Unit Proprietary Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | Maryland Stadium Authority | Maryland Food Center Authority | Maryland Environmental Service | Maryland Industrial Development Financing Authority | Maryland Prepaid College Trust | Total |
|---|----------------------------------|---|--------------------------------------|---|---|-----------|
| Operating revenues: | | | | | | |
| Charges for services and sales | \$ 24,128 | \$ 2,970 | \$50,539 | \$ 133 | \$ 157 | \$ 77,927 |
| Tuition contracts | | | | | 13,477 | 13,477 |
| Other | 311 | 11 | | 276 | 4,619 | 5,217 |
| Total operating revenues | 24,439 | 2,981 | 50,539 | 409 | 18,253 | 96,621 |
| Operating expenses: | | | | | | |
| Operation and maintenance of facilities | 24,929 | | 39,975 | | | 64,904 |
| General and administrative | 2,581 | 2,303 | 6,358 | 643 | 417 | 12,302 |
| Depreciation and amortization | 9,523 | 515 | 2,251 | | 10 | 12,299 |
| Provision for insurance on loan losses, net | | | | (582) | | (582) |
| Tuition benefits | | | | | 15,666 | 15,666 |
| Other | | 188 | 815 | | 708 | 1,711 |
| Total operating expenses | 37,033 | 3,006 | 49,399 | 61 | 16,801 | 106,300 |
| Operating income (loss) | (12,594) | (25) | 1,140 | 348 | 1,452 | (9,679) |
| Non-operating revenues (expenses): | | | | | | |
| Investment income | 709 | 423 | 1,059 | 2,073 | 578 | 4,842 |
| Interest expense | (20,408) | (33) | (1,623) | | | (22,064) |
| Other | 1,000 | 47 | (4) | | 1,302 | 2,345 |
| Income (loss) before transfers | (31,293) | 412 | 572 | 2,421 | 3,332 | (24,556) |
| Operating transfers in from primary government | 27,710 | | | 2,650 | 420 | 30,780 |
| Operating transfers out to primary government | | | | (816) | | (816) |
| Net income (loss) | (3,583) | 412 | 572 | 4,255 | 3,752 | 5,408 |
| Add: Depreciation of assets acquired from contributed capital.. | | 12 | 226 | | | 238 |
| Increase (decrease) in retained earnings | (3,583) | 424 | 798 | 4,255 | 3,752 | 5,646 |
| Retained earnings, July 1, 1999 | 215,927 | 15,684 | 5,791 | 6,064 | | 243,466 |
| Retained earnings, June 30, 2000 | \$212,344 | \$16,108 | \$ 6,589 | \$10,319 | \$ 3,752 | \$249,112 |

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Combining Statement of Cash Flows
Component Unit Proprietary Funds
for the year ended June 30, 2000
(Expressed in Thousands)

| | Maryland Stadium Authority | Maryland Food Center Authority | Maryland Environmental Service | Maryland Industrial Development Financing Authority | Maryland Prepaid College Trust | Total |
|---|----------------------------|--------------------------------|--------------------------------|---|--------------------------------|------------|
| Cash flows from operating activities: | | | | | | |
| Operating income (loss) | \$(12,594) | \$ (25) | \$ 1,140 | \$ 348 | \$ 1,452 | \$ (9,679) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization | 9,523 | 515 | 2,251 | | 10 | 12,299 |
| Effect of changes in assets and liabilities: | | | | | | |
| Other accounts receivable | 1,971 | (77) | 357 | 17 | | 2,268 |
| Tuition contracts receivable | | | | | 12,401 | 12,401 |
| Due from primary government | (87) | (232) | | (3,990) | | (4,309) |
| Other assets | | | (2,186) | | | (2,186) |
| Accounts payable and accrued liabilities | (294) | 31 | 3,298 | (8) | (437) | 2,590 |
| Accrued tuition benefits | | | | | 12,027 | 12,027 |
| Due to primary government | (929) | | | | 172 | (757) |
| Other liabilities | (2,433) | (1) | 874 | | | (1,560) |
| Deferred revenue | (268) | (2) | | 57 | | (213) |
| Accrued insurance on loan losses | | | | (331) | | (331) |
| Accrued self-insurance costs | 1 | (12) | 94 | | | 83 |
| Accrued annual leave | 18 | | 44 | | 8 | 70 |
| Net cash provided (used) by operating activities | (5,092) | 197 | 5,872 | (3,907) | 25,633 | 22,703 |
| Cash flows from non-capital financing activities: | | | | | | |
| Third party contributions | 1,000 | | | | | 1,000 |
| Proceeds from loans from primary government | | | | | 250 | 250 |
| Operating transfers in from primary government | 27,710 | | | 2,650 | 420 | 30,780 |
| Operating transfers out to primary government | | | | (816) | | (816) |
| Net cash provided by non-capital financing activities | 28,710 | | | 1,834 | 670 | 31,214 |
| Cash flows from capital and related financing activities: | | | | | | |
| Investment in direct financing leases | 6,897 | | | | | 6,897 |
| Increase in interest in direct financing lease | (3,112) | | (586) | | | (3,698) |
| Proceeds from notes payable and revenue bonds | 121,380 | | | | | 121,380 |
| Principal paid on notes payable and revenue bonds | (128,512) | (55) | (3,351) | | | (131,918) |
| Interest payments | (20,408) | (33) | (1,623) | | | (22,064) |
| Acquisition and construction of property, plant and equipment | (140) | (182) | (2,358) | | | (2,680) |
| Decrease in revenue bond debt service account | | (397) | | | | (397) |
| Proceeds from property, plant and equipment sales | | | 66 | | | 66 |
| Net cash used by capital and related financing activities | (23,895) | (667) | (7,852) | | | (32,414) |
| Cash flows from investing activities: | | | | | | |
| Proceeds from maturity and sale of investments | (641) | | 28,476 | | | 27,835 |
| Purchase of investments | | | (32,324) | | (25,256) | (57,580) |
| Interest on investments | 709 | 470 | 1,059 | 2,073 | 578 | 4,889 |
| Increase in loans and notes receivable | 209 | | | | | 209 |
| Lease principal interest payments received | | | 1,154 | | | 1,154 |
| Net cash provided (used) by investing activities | 277 | 470 | (1,635) | 2,073 | (24,678) | (23,493) |
| Net increase (decrease) in cash and cash equivalents | | | (3,615) | | 1,625 | (1,990) |
| Cash and cash equivalents balance, July 1, 1999 | | | 4,251 | | | 4,251 |
| Cash and cash equivalents balance, June 30, 2000 | \$ — | \$ — | \$ 636 | \$ — | \$ 1,625 | \$ 2,261 |

Noncash transactions (amounts in thousands):

Maryland Prepaid College Trust -- Unrealized gain on investments \$1,302.

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Notes to General Purpose Financial Statements
for the year ended June 30, 2000

1. Financial Reporting Entity And Description of Funds and Account Groups:

A. Reporting Entity:

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by generally accepted accounting principles, these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the governing body to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

DISCRETE COMPONENT UNITS

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The two Component Units columns of the combined financial statements include the financial data of these entities.

Colleges and Universities (Higher Education Fund) - Colleges and universities consist of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The colleges and universities are funded through State appropriations, tuition, federal grants, and private donations and grants. Because the colleges and universities are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Most of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the colleges and universities in accordance with the requirements of GASB Statement No. 14.

Maryland Stadium Authority (Proprietary Fund Type) - The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and the Treasurer) have approved all of the projects and bond issuances of the Authority.

Maryland Food Center Authority (Proprietary Fund Type) - The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight are appointed by the Governor. The Authority was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Environmental Service (Proprietary Fund Type) - The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority (Proprietary Fund Type) - The Maryland Industrial Development Financing Authority (Authority) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The Authority provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Prepaid College Trust (Proprietary Fund Type) - The Maryland Prepaid College Trust (Trust) is an independent agency of the State and is directed by the Maryland Higher Education Investment Board. The Board consists of four State officials and five members of the public appointed by the Governor. The Trust provides a method for Maryland citizens to save money for college tuition. A purchaser may enter into a single payment or installment contract with the Trust for the future payment of tuition and fees for a designated beneficiary. The law provides that the Board shall invest the assets of the Trust to earn sufficient revenues to pay all administrative costs. Legislation passed July 1, 2000, established an additional financial

guarantee that requires the Governor to include in the State's budget the amount of any shortfall of the Trust's assets to pay current contract liabilities.

Complete financial statements of the individual component units and the Local Government Investment Pool may be requested from the Comptroller of the Treasury of the State of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

B. Fund Accounting:

The State uses funds, account groups and component units to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. Funds are separate accounting entities, each with a self-balancing set of accounts which represent the fund's assets, liabilities, equity (deficit), revenues and expenditures or expenses. There are three categories of "fund types": governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Transactions related to the acquisition and use of the government's expendable financial resources received and used for those services traditionally provided by governments are accounted for in governmental funds. The governmental fund measurement focus is the flow of current financial resources and financial position (sources, uses and balances). Governmental funds include the following:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, public safety and judicial, health and mental hygiene, human resources and education (other than higher education institutions). Resources obtained from federal grants and used for activities accounted for in the general fund, consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Funds:

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue funds. The special revenue funds account for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation and the Maryland Transportation Authority, including construction or improvement of transportation facilities and mass transit operations.

Debt Service Funds:

Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations, transportation debt and Maryland Transportation Authority debt are accounted for in the debt service funds.

Capital Projects Fund:

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations, are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

PROPRIETARY FUND TYPE

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The proprietary fund types differ from governmental fund types in that the focus is on the flow of economic resources which, together with the maintenance of equity, is an important financial indicator. The enterprise funds include:

1. Economic Development, which consists of direct loan and loan insurance programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.
2. Maryland State Lottery Agency, which operates the State Lottery.
3. State Use Industries, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

FIDUCIARY FUND TYPES

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in fiduciary fund types. Fiduciary fund types include the following:

1. The expendable trust fund, which reflects the transactions, assets, liabilities and fund equity of the Unemployment Insurance Program and the Deferred Compensation Plan and is accounted for on a flow of current financial resources measurement focus. The Unemployment Insurance Program is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), and 401(k). Amounts deferred are invested and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.
2. The investment trust fund, which reflects the transactions, assets, liabilities and fund equities of the Maryland Local Government Investment Pool (Pool) and is accounted for using the flow of economic resources measurement focus.
3. The State Retirement and Pension System of Maryland and the Mass Transit Administration Pension Plan, which reflect the transactions, assets, liabilities and fund equities of the retirement and pension plans administered by the State and the Mass Transit Administration and are accounted for using the flow of economic resources measurement focus.
4. The agency funds, which are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, the amounts the State invests for political subdivisions on a pooled basis, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employees' payroll.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the State's general fixed assets and the unmatured principal of its general long-term debt and other long-term obligations of governmental fund types. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term obligations require current appropriation and expenditure of governmental fund financial resources.

General Fixed Assets Account Group:

General fixed assets acquired, leased under capital lease agreements or constructed for use by the State in the conduct of its activities, other than activities accounted for in enterprise funds and the discretely presented component units (proprietary funds and higher education), are reflected in the general fixed assets account group when acquired. These fixed assets are stated at cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the time donated. Depreciation is not provided for general fixed assets, and interest incurred during construction is not capitalized. Infrastructure assets, consisting principally of highways, roads and bridges, are not recorded in the general fixed assets account group.

General Long-Term Debt Account Group:

General obligation, transportation and Maryland Transportation Authority bonds payable, capital lease obligations, accrued self-insurance costs and accrued annual leave related to general governmental activities are reflected in the general long-term debt account group.

2. Summary of Significant Accounting Policies:

A. All Funds:

Investments:

Investments are recorded at fair value in the combined balance sheet and changes in fair value are recognized as revenue in the combined operating statements. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems. (See Note 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement expenditures for governmental fund types represent amounts contributed by the State for the fiscal year. Retirement costs have been provided on the accrual basis, based upon actuarial valuations.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary and discretely presented component unit fund types on an accrual basis and the modified accrual basis for the governmental fund types. The long-term accrued self-insurance costs of the governmental fund types which are not expected to be funded with current resources are reported in the general long-term debt account group.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 50 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the general long-term debt account group. Liabilities for accumulated earned but unused annual leave applicable to enterprise funds and the proprietary and higher education component units are reported in the respective funds.

Interfund Transactions:

The State has the following types of transactions among funds:

Statutory transfers (Operating Transfers)—Legally required transfers that are reported when incurred as "Operating transfers in" by the recipient fund and as "Operating transfers out" by the disbursing fund. Legally required transfers between primary government and component unit organizations are reported when incurred as "Operating transfers in from component unit" by the recipient organization and "Operating transfers out to primary government" or "Operating transfers out to component unit" by the disbursing fund and "Operating transfers in from primary government."

Transfers of Expenditures (Reimbursements)—Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursement fund.

Interfund Payments (Quasi-external Transactions)—Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and as expenditures or expenses of the disbursing fund.

"Total Memorandum Only" Columns:

The "Total Memorandum Only" columns represent an aggregation of the individual combined financial statements for the primary government and the reporting entity, and do not represent consolidated financial information.

New Pronouncements:

In December, 1998, GASB issued Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. The State is in the process of assessing the impact of this Statement and will implement it as of the effective date for the fiscal period beginning after June 15, 2000. In addition, in June 1999, GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Statement establishes financial reporting standards for state and local governments. It establishes that the basic financial statements and required supplementary information for general purpose governments should consist of management's discussion and analysis, basic financial statements, including government – wide financial statements, fund financial statements and notes to the financial statements, and required supplementary information. The State is in the process of assessing the impact of this Statement and will implement it as of the effective date for the fiscal period beginning after June 15, 2001.

B. Governmental Fund Types, Expendable Trust and Agency Funds:

Basis of Accounting:

The accounts of the general, special revenue, debt service, capital projects, expendable trust and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues susceptible to accrual are recognized in the financial statements when they are both measurable and available to finance operations during the fiscal year or liquidate liabilities existing at the end of the fiscal year. Material revenues susceptible to accrual include: federal grants, personal income taxes, sales and use taxes, and motor vehicle fuel and excise taxes. Expenditures are recognized when obligations are incurred as a result of receipt of goods and services. Encumbrances represented by executed and unperformed purchase orders and contracts, which are approved by the Department of Budget and Management, are recorded as reservations of fund balance as of the end of the fiscal year.

Modifications to the accrual basis of accounting to reflect the modified accrual basis include the following:

- Interest on long-term obligations reflected in the general long-term debt account group is recognized in the debt service fund when it becomes payable.
- Inventories of materials and supplies are recorded as expenditures when purchased. Such inventories are not material.
- Expenditures for retirement costs, and employees' vested annual leave and sick leave are recorded as expenditures when paid.

Grants:

Revenues from federal reimbursement type grants are recognized when the related expenditures are incurred. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real and personal property subject to taxation, due and payable each July 1 (lien date), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at various rates of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate since 1982 has been maintained at 21¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Current collections are 98.7% of the total tax levy for the fiscal year. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions and other public organizations, are recorded as intergovernmental expenditures. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Outlays:

Principally all capital expenditures for the acquisition or construction of State general fixed assets are reported as capital outlays in the capital projects fund.

C. Enterprise Funds, Pension Trust Funds, Investment Trust Fund and Component Units - Proprietary Funds:

Basis of Accounting:

The accounts of the enterprise funds, investment trust fund, pension trust funds, and component units - proprietary funds are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For the enterprise funds and component unit proprietary funds, the State has selected the option to apply all applicable GASB pronouncements and only FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989.

Grants:

Revenues from federal reimbursement type grants are recorded when the related expenses are incurred.

Property, Plant and Equipment:

Significant property, plant and equipment of enterprise funds are stated at cost. Depreciation of the cost of property, plant and equipment of the enterprise funds is provided on the straight-line basis over estimated useful lives of 25 to 50 years for depreciable

real property, 5 to 10 years for building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

Debt Refinancing:

The gain or loss associated with enterprise fund debt refinanced is deferred and amortized to interest expense over the life of the debt.

Lottery Revenues, Prizes and Operating Transfers:

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories of the enterprise funds are stated at the lower of cost or market, using the first-in, first-out method.

D. Component Units-Higher Education Fund:

Basis of Accounting:

The financial statements of the Higher Education Component Unit have been prepared in accordance with Governmental Accounting Standards which allow colleges and universities to follow the American Institute of Certified Public Accountants' reporting model.

The accounts of the higher education institutions are maintained and reported on the accrual basis of accounting except for tuition and fees revenue and depreciation expense as explained in the following paragraphs.

Fund Accounting:

The financial activities of the higher education institutions are recorded in funds which classify the various transactions by specified activities or objectives. Fund balances of current restricted, loan and endowment funds are reported as reserved for higher education programs and higher education general endowment funds.

Unrestricted revenue is accounted for in the current unrestricted fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in the current restricted fund, loan funds, endowment and plant funds. Revenue and expenditures are reported in the current restricted fund when financial resources are used for the current operating purposes for which they have been provided. Transactions related to the various student loan programs are accounted for in loan funds. Resources dedicated to the acquisition of and investment in property, plant and equipment are accounted for in the plant funds. To the extent current funds are used to finance plant assets, these amounts provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt repayment and interest, and equipment renewals and replacements; and (3) transfers of a nonmandatory nature in all other cases. General endowment resources are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized.

Grant Revenues:

Revenues from federal reimbursement type grants are recorded when the related expenditures are incurred in the restricted and unrestricted current funds. A portion of the fund balance of the restricted current fund represents cash received in excess of grant expenditures and is subject to refund to the Federal government if not expended for its intended purpose.

Student Revenues:

Student tuition and fees are fully recognized as revenues in the fiscal year in which the related courses or activities are principally conducted. Student tuition and fees applicable to future courses and activities, collected as of the end of the fiscal year, are recorded as deferred revenue.

Accounts and Notes Receivable:

An allowance for doubtful receivables is provided for estimated losses expected to be incurred in collection. The estimated losses are based on historical collection experience and a review of the status of year-end receivables.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment:

Property, plant and equipment are stated principally at cost as of the date of acquisition or fair value as of the date of donation in the case of gifts. Consistent with generally accepted accounting principles for governmental colleges and universities, depreciation expense related to property, plant and equipment is not recorded.

Operating Transfers from the State:

A substantial portion of the higher education fund's current unrestricted and plant fund expenditures are funded through appropriations from the State's general fund and capital projects fund, respectively.

3. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the following five budgetary funds.

General Fund:

The General Fund includes all transactions of the State, unless otherwise directed to be included in another fund.

Special Fund:

The Special Fund includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue funds include only the operations (other than debt service and pension activities) of the Maryland Department of Transportation and Maryland Transportation Authority.

Federal Fund:

The Federal Fund accounts for substantially all grants from the Federal government.

Higher Education Fund:

The Higher Education Fund includes the Current Unrestricted Fund which accounts for unrestricted revenue used or available for use in carrying out the current operations and the Current Restricted Fund of the State's colleges and universities which accounts for restricted gifts, grants and other restricted resources.

Budgetary Fund Equities and Other Accounts:

In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund. Because capital projects fund authorizations are not part of the annual budget, capital projects fund activities are not presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances - Budget and Actual - for the year ended June 30, 2000.

All State budgetary expenditures for the general, special, federal, current unrestricted and current restricted funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by major function within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2000, the General Assembly approved a net increase in General Fund appropriations of \$73,293,000. Appropriations for programs funded in whole or in part from the special, federal, current unrestricted or current restricted funds may permit expenditures in excess of original special, federal, current unrestricted or current restricted funds appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor or, in the case of the University System of Maryland, the Board of Public Works. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent encumbrances are approved by the Department of Budget and Management, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special, federal, current unrestricted and current restricted funds may be carried over to the extent of (a) available resources, and (b) encumbrances approved by the Department of Budget and Management.

The amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances - Budget and Actual - for the year ended June 30, 2000. The State's budgetary fund structure and the basis of accounting used for budgetary purposes, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2000, follows (amounts expressed in thousands).

| | Total Budgetary Fund Equities and Other Accounts June 30, 2000 | Financial Statement Funds | | | | | | | Component Units | |
|--|--|---------------------------|--------------------|-----------------|---------------------|-------------|------------------------|---------------------|----------------------|--|
| | | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Trust and Agency | Higher Education | Proprietary Funds | |
| Classification of budgetary fund equities and other accounts into GAAP fund structure: | | | | | | | | | | |
| General | \$ 1,789,700 | \$1,789,700 | | | | | | | | |
| Special | 912,177 | 315,949 | \$231,965 | \$ 43,033 | \$ 11,954 | \$ 309,276 | | | | |
| Current unrestricted | 328,561 | | | | | | | \$ 328,561 | | |
| Current restricted | 1,756 | | | | | | | 1,756 | | |
| Other accounts (a): | | | | | | | | | | |
| Non-budgeted | 74,842 | 62,907 | 10,979 | | 46 | 540 | | | \$ 370 | |
| Transportation Authority | 379,732 | | 301,090 | 78,642 | | | | | | |
| Debt service | | | | | | | | | | |
| transportation bonds..... | 4,343 | | | 4,343 | | | | | | |
| Capital projects | 376,158 | | | | 301,275 | 74,883 | | | | |
| Enterprise | 1,009,391 | | | | | 1,009,391 | | | | |
| Expendable trust..... | 2,551,363 | | | | | | \$ 2,551,363 | | | |
| Investment trust..... | 701,271 | | | | | | 701,271 | | | |
| Pension trust | 33,189,145 | | | | | | 33,189,145 | | | |
| Component units: | | | | | | | | | | |
| Higher education..... | 3,278,504 | | | | | | | 3,278,504 | | |
| Proprietary funds | 275,075 | | | | | | | | 275,075 | |
| Budgetary fund equities and other accounts classified into GAAP fund structure:..... | <u>\$44,872,018</u> | 2,168,556 | 544,034 | 126,018 | 313,275 | 1,394,090 | 36,441,779 | 3,608,821 | 275,445 | |
| Accounting principle differences: | | | | | | | | | | |
| Assets recognized in the | | | | | | | | | | |
| GAAP financial statements not | | | | | | | | | | |
| recognized for budgetary purposes: | | | | | | | | | | |
| Cash | | 4,614 | | | | | | | | |
| Investments..... | | (14,727) | | | | | | | | |
| Taxes receivable..... | | 94,782 | (2,810) | | | | | | | |
| Intergovernmental receivables | | (2,678) | | | | | | | | |
| Other accounts receivable..... | | 92,567 | | | | | | | | |
| Loans and notes receivable..... | | 3,100 | (2,937) | | | | | | | |
| Other assets | | 80,802 | 364 | | | | | | | |
| Liabilities recognized in | | | | | | | | | | |
| GAAP financial statements not | | | | | | | | | | |
| recognized for budgetary purposes: | | | | | | | | | | |
| Accounts payable and accrued liabilities | | (52,098) | (16,252) | | | | | | | |
| Accounts payable to political subdivisions | | (418) | | | | | | | | |
| Accrued self-insurance costs..... | | (4,433) | | | | | | | | |
| GAAP financial statement fund | | | | | | | | | | |
| equities, June 30, 2000..... | | \$2,370,067 | \$522,399 | \$126,018 | \$313,275 | \$1,394,090 | \$36,441,779 | \$3,608,821 | \$275,445 | |

(a) The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. In addition to the accounting system maintained by the Comptroller, certain individual agencies, which are not subject to the State's budget, maintain accounting systems which are required to be included to properly present the State's financial reporting in accordance with generally accepted accounting principles.

4. Cash and Cash Equivalents and Investments:

Substantially all cash and cash equivalents of the governmental fund types and certain enterprise, fiduciary funds and component units are maintained by the State Treasurer on a pooled basis. The State Treasurer's Office invests short-term cash balances on a daily basis primarily in repurchase agreements, U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.

In addition, bond sale proceeds may be invested in Municipal securities. A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments maturing within 90 days of purchase are reported at amortized cost in the financial statements as cash and cash equivalents.

Investments are classified as to credit risk by the three categories described below.

Category 1 Insured or registered, with securities held by the State or its agent in the State's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the State's name.

All of the State's investments held at year-end are subject to classification of credit risk except for those investments where the State owns units of a whole rather than specific securities, which by their nature are not subject to risk categorization. The State's pooled investments that are not subject to risk categorization include the Maryland Local Government Investment Pool, annuity and guaranteed investment contracts, mutual funds, real estate, venture capital and investments held by borrowers under securities loans with cash collateral.

A. Cash and Cash Equivalents:

The bank deposits of the governmental fund types, expendable trust, Mass Transit Administration Pension Plan and agency funds of the Primary Government as of June 30, 2000, were insured or collateralized with securities held by the State or its agent in the State's name.

As of June 30, 2000, cash in the amount of \$4,739,000 was maintained with fiscal agents and represents resources transmitted to bond paying agents for which coupons have not been presented. This cash was invested in mutual funds that invest only in U.S. Treasury and agency obligations.

Reported as cash and cash equivalents in the governmental fund types are repurchase agreements aggregating \$1,955,769,000 (fair value of collateral of \$2,252,219,000); a U.S. Treasury bill of \$532,000 (fair value of \$532,000) and FHLM notes totaling \$217,387,000 (fair value of \$217,555,000). The collateral for the repurchase agreements is held by the State or its agent in the State's name. Also, reported as cash and cash equivalents are money market mutual funds totaling \$587,753,000.

The bank deposits of the enterprise funds of the primary government as of June 30, 2000, were entirely insured or collateralized with securities held by the funds or its agents in the funds' names. Cash and cash equivalents of the enterprise funds as of June 30, 2000, was \$186,383,000 which represented \$9,658,000 in cash deposits insured by Federal depository insurance or collateralized by securities held in trustee bank accounts in the enterprise funds' name and \$176,725,000 in money market mutual funds.

As of June 30, 2000, cash and cash equivalents of the Pension Trust Funds, the agency funds, and the Deferred Compensation Plan totaled \$1,831,824,000, which represented cash deposits of \$61,150,000 and cash equivalents of \$1,770,674,000. These cash equivalents, which are investments with original maturities of less than 90 days, consisted of \$995,165,000 of commercial paper, \$10,017,000 of repurchase agreements and \$765,492,000 in global pooled short-term funds carried at market. All cash equivalents are categorized as category 1 for investment purposes except for the global pooled short-term investments which are not categorized because they are not evidenced by securities that exist in physical or book entry form. Of the \$61,150,000 carrying value of deposits as of June 30, 2000, the amount of \$18,389,000 was pooled by the State, \$48,776,000 was the general fund advance to pay for payroll taxes and fringe benefits and the bank balance of \$91,537,000 was uninsured and uncollateralized and is a category 3 asset.

Cash and cash equivalents of the component units as of June 30, 2000, was \$82,266,000 which is pooled by the State except for \$7,156,000. The bank balance of cash deposited with financial institutions was \$11,710,000 of which \$8,827,000 was insured by Federal, private or foreign national government depository insurance, or was collateralized by a pledge of U.S. Treasury obligations held by the component unit's agent in the component unit's name. The remaining \$2,883,000 is categorized as risk category 3, \$2,329,000 of which is uninsured and unregistered, and collateralized with securities held by the pledging financial institution's agent, but not in the component unit's name and \$554,000 is uninsured and uncollateralized.

B. Investments-Governmental Fund Types:

Investments are stated at fair value which is based on quoted market prices. The investments as of June 30, 2000, for the governmental fund types of the Primary Government are categorized as follows (amounts expressed in thousands).

| | Category | | | Fair Value |
|--|--------------------|---|---|--------------------|
| | 1 | 2 | 3 | |
| U. S. Treasury and agency obligations..... | \$1,475,807 | | | \$1,475,807 |
| Bonds..... | 835 | | | 835 |
| | <u>\$1,476,642</u> | | | <u>1,476,642</u> |
| Items not subjected to classification: | | | | |
| Maryland Local Government Investment Pool..... | | | | 112,491 |
| | | | | <u>\$1,589,133</u> |

The Maryland Local Government Investment Pool is operated in accordance with Rule 2 a-7 of the Investment Company Act of 1940, as amended. As of June 30, 2000, the net asset value, offering and redemption price per share was \$1.00. The fair value of the State of Maryland's investment in the pool is equal to the fair value of its shares in the pool.

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest the cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. The cash collateral will be returned for the same securities in the future. The collateral cannot be pledged or sold by the State unless the borrower defaults. Cash collateral is initially pledged at greater than the market value of the securities lent and additional collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent. Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. Therefore, the duration of lending agreements does not generally match the maturities of the investments made with cash collateral.

The bank is obligated to indemnify the State against liability for any suits, actions, or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2000. Furthermore, as of June 30, 2000, the State had no credit risk exposure to borrowers because the fair value of the collateral for the securities loaned exceeded the fair value of the related securities, as follows (amount expressed in thousands).

| | Fair Value | | |
|---|-------------------|---------------------|------------------------|
| | Loaned Securities | Collateral Received | Percent Collateralized |
| Securities – US Treasury obligations..... | \$107,689 | \$110,200 | 102.3% |

C. Investments-Enterprise:

Investments of the enterprise funds are stated at fair value which is based on quoted market prices. The investment policies for all enterprise funds, with the exception of the Community Development Administration, are the same as those of the State Treasurer. The Community Development Administration, an agency of the Department of Housing and Community Development, is authorized to invest in obligations of the U.S. Treasury, U.S. Government agencies and corporations, political subdivisions of the U.S., bankers acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. The U.S. Treasury and agency obligations and collateral for the repurchase agreements are held by the enterprise fund's agent in the enterprise fund's name.

The investments as of June 30, 2000, for the enterprise funds of the primary government are as follows (amounts expressed in thousands).

| | Category | | | Fair Value |
|---|--------------------|---|---|--------------------|
| | 1 | 2 | 3 | |
| U. S. Treasury and agency obligations..... | \$1,094,075 | | | \$1,094,075 |
| Repurchase agreements..... | 329,530 | | | 329,530 |
| Corporate equity securities | 18,444 | | | 18,444 |
| | <u>\$1,442,049</u> | | | <u>1,442,049</u> |
| Items not subject to classification: | | | | |
| Annuities and guaranteed investment contract..... | | | | 23,611 |
| Total..... | | | | <u>\$1,465,660</u> |

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities held by the Lottery to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. The collateral will be returned for the same securities in the future. The collateral cannot be pledged or sold by the State unless the borrower defaults. Cash collateral is initially pledged at greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent. Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. Therefore, the duration of lending agreements does not generally match the maturities of the investments made with cash collateral.

The bank is obligated to indemnify the State against liability for any suits, actions, or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2000. Furthermore, as of June 30, 2000, the State had no credit risk exposure to borrowers because the fair value of collateral for the securities loaned was at least 100% of the fair value of the related securities, as follows (amounts expressed in thousands).

| | Fair Value | | |
|--|-------------------|---------------------|------------------------|
| | Loaned Securities | Collateral Received | Percent Collateralized |
| Securities – US Treasury obligations | \$154,234 | \$154,386 | 100.1% |

D. Investments-Fiduciary Funds:

The Maryland Local Government Investment Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2. Investments of the plan are stated at fair value.

The Pension Trust Funds (Funds), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, are permitted to make investments subject to the terms, conditions, limitations, and restrictions imposed by the Board of Trustees of the State Retirement and Pension Systems of Maryland. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in non-dividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the net plan assets available for pension benefits. Investments of the Funds are stated at fair value.

State employees are offered participation in a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the State's Supplemental Retirement Systems is responsible for the implementation, maintenance and administration of the Plan. The Board has appointed a private company as the Plan administrator. Assets of the Plan are held in trusts for the exclusive benefit of participating employees and their beneficiaries. Investments of the Plan are stated at fair value.

The investments as of June 30, 2000, for the fiduciary funds of the Primary Government are as follows (amounts expressed in thousands).

| | Category | | | Fair Value |
|--|---------------------|---|---|---------------------|
| | 1 | 2 | 3 | |
| U.S. Treasury and agency obligations | \$ 1,922,059 | | | \$ 1,922,059 |
| Repurchase agreements..... | 135,753 | | | 135,753 |
| Bonds..... | 2,487,777 | | | 2,487,777 |
| Corporate equity securities | 16,481,852 | | | 16,481,852 |
| Commercial paper | 21,493 | | | 21,493 |
| Bankers acceptances..... | 156,486 | | | 156,486 |
| Mortgage related securities | 2,322,529 | | | 2,322,529 |
| | <u>\$23,527,949</u> | | | <u>23,527,949</u> |
| Items not subject to classification: | | | | |
| Annuities and guaranteed investment contracts | | | | 521,968 |
| Mutual funds | | | | 6,936,538 |
| Real estate..... | | | | 661,143 |
| Investments held by borrowers under securities loans with cash collateral: | | | | |
| U.S. Treasury and agency obligations | | | | 789,934 |
| Bonds..... | | | | 42,146 |
| Corporate equity securities | | | | 1,294,274 |
| Total..... | | | | <u>\$33,773,952</u> |

The Funds participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. All loaned securities are reported as assets on the combined balance sheet and are included in the categorization of credit risk.

Borrowing brokers must transfer in the form of cash, other securities or letters of credits valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the loaned securities. The Funds have not experienced any loss due to credit or market risk on securities lending activity since inception of the program. As of June 30, 2000, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities loaned exceeded the fair value of the related securities.

Although the average term of the Funds' security loans is one week, each loan can be terminated at will by either the Funds or the borrower. Cash collateral is invested in two of the lending agent's short-term investment pools, which at June 30, 2000 had interest rate sensitivity durations of seventy-nine and sixty-six days. Because the relationship between the maturities of the investment pools and the Funds security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults. Investments made with cash received as collateral and the corresponding liabilities are reported in the Combining Balance Sheet, Fiduciary Fund Types, Pension Trust Funds.

As of June 30, 2000, the fair value of loaned securities and the related collateral were as follows (amounts expressed in thousands).

| Securities | Fair Value | | |
|---|-------------------|---------------------|------------------------|
| | Loaned Securities | Collateral Received | Percent Collateralized |
| International equity securities | \$ 844,489 | \$ 878,203 | 104.0% |
| Domestic & international fixed securities | 1,335,343 | 1,362,199 | 102.0% |
| Totals..... | \$2,179,832 | \$2,240,402 | |

The Funds may invest in derivatives as permitted by guidelines established by the Board of Trustees of the State Retirement and Pension Systems of Maryland. Compliance with these guidelines is monitored by the Fund's staff. At times, the Funds invest in foreign currency forward contracts, options, futures, collateralized mortgage obligations, mortgage-backed securities, interest-only securities and principal-only securities. No derivatives were purchased with borrowed funds.

Derivatives are used to hedge against foreign currency risk, improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. These securities are subject to changes in value due to changes in interest rates or currency valuations. The mortgage-backed securities are subject to prepayment risk when interest rates are falling. Credit risk for derivatives is the risk that the counterparty will be unable to meet its obligations.

The Funds invest in foreign currency forward contracts to hedge the currency risk in its international and global portfolios. The following summary shows the foreign currency forward contracts outstanding as of June 30, 2000 (amounts expressed in thousands).

| Purchases | | |
|-------------------------|--|-----------------------------------|
| Currency | Purchase Amount (In Local Currency) | Fair Value as of June 30, 2000 |
| Euro currency..... | 202,609 | \$194,386 |
| New Zealand dollar..... | 4,843 | 2,280 |
| Polish zloty..... | 11,200 | 2,425 |
| U.S. dollar | 250,816 | 250,816 |
| Total purchases..... | | \$449,907 |

| Sales | | |
|-------------------------|--|-----------------------------------|
| Currency | Purchase Amount (In Local Currency) | Fair Value as of June 30, 2000 |
| Australian dollar..... | 3,859 | \$ 2,318 |
| Canadian dollar..... | 17,009 | 11,486 |
| Euro currency..... | 149,438 | 143,317 |
| Japanese yen | 9,999,513 | 95,262 |
| New Zealand dollar..... | 8,376 | 3,943 |
| Pound sterling..... | 2,206 | 3,343 |
| Swedish krona..... | 166 | 19 |
| U.S. dollar | 187,839 | 187,839 |
| Total sales..... | | \$447,527 |

E. Investments-Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, repurchase agreements, and mutual funds that invest in government securities.

The Maryland Stadium Authority's marketable securities are held by the Bond Trustee. Proceeds to purchase these marketable securities were derived from various bond issues and any proceeds from the sale of these marketable securities are restricted to the purpose of the original bond issue.

The investments of the Maryland Environment Service (Service) primarily relate to bond indentures. The Service or its trustee banks are authorized to invest assets related to bond indentures in obligations of the United States of America, any federal agency, high quality commercial paper or mutual funds that invest in U.S. Government securities. Additionally, the Service may otherwise invest in securities allowed by the State.

Investments of the Maryland Stadium Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority, Maryland Prepaid College Trust and the higher education institutions are stated at fair value which is based on quoted market prices.

The investments as of June 30, 2000, for the discretely presented component units are as follows (amounts expressed in thousands).

| | 1 | Category 2 | 3 | Fair Value |
|--|------------------|-----------------|---|------------------|
| U.S. Treasury and agency obligations | \$ 11,068 | \$11,144 | | \$ 22,212 |
| Bonds..... | | 15 | | 15 |
| Corporate debt securities | 11,326 | 460 | | 11,786 |
| Corporate equity securities | 169,659 | | | 169,659 |
| Asset-backed securities..... | 17,380 | 644 | | 18,024 |
| Other | 250 | | | 250 |
| | <u>\$209,683</u> | <u>\$12,263</u> | | <u>221,946</u> |
| Items not subject to classification: | | | | |
| Mutual funds | | | | 49,284 |
| Total..... | | | | <u>\$271,230</u> |

Derivatives are used to hedge against foreign currency risk, improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. These securities are subject to changes in value due to changes in interest rates or currency valuations. The asset-backed securities which are primarily secured by mortgages meet the definition of derivatives as defined by GASB Technical Bulletin 96-1. These securities are subject to prepayment risk when interest rates are falling.

5. Taxes Receivable:

Taxes receivable, as of June 30, 2000, consist of the following (amounts expressed in thousands).

| | Funds | | | |
|---|-------------------|--------------------|-----------------|---------------------|
| | General | Special Revenue | Debt Service | Trust and Agency |
| Income taxes | \$ 463,352 | | | \$193,189 |
| Sales and use taxes | 240,526 | | | |
| Transportation taxes, principally motor vehicle fuel and excise | | \$74,931 | | |
| Unemployment compensation taxes | | | | 95,068 |
| Other taxes, principally alcohol & property..... | 16,880 | | \$ 7,181 | |
| Taxes receivable, net..... | <u>\$ 720,758</u> | <u>\$74,931</u> | <u>\$ 7,181</u> | <u>\$288,257</u> |

6. Due From/To Other Funds:

Interfund receivables and payables, as of June 30, 2000, consist of the following (amounts expressed in thousands).

| Receivable Fund | Payable Fund | Amount |
|---|---|--------------------|
| General Fund | Special Revenue Fund- Maryland Department of Transportation | \$ 17,601 |
| | Enterprise Fund-Economic Development- Loan Programs | 924 |
| | Maryland State Lottery Agency | 38,338 |
| | Component Units – Maryland Stadium Authority | 8,272 |
| | Component Units – Maryland Pre-Paid College Trust | 172 |
| | | <u>\$ 65,307</u> |
| Special Revenue Fund- | | |
| Maryland Department of Transportation | General Fund | \$ 183,753 |
| Maryland Transportation Authority | Special Revenue Fund- Maryland Department of Transportation | 10,916 |
| | | <u>\$ 194,669</u> |
| Capital Projects Funds | General Fund | <u>\$ 363,277</u> |
| Enterprise Funds - Economic Development- | | |
| Insurance Programs | General Fund | \$ 97,756 |
| Loan Programs | General Fund | 147,813 |
| Maryland State Lottery Agency | General Fund | 51,331 |
| State Use Industries | General Fund | 7,230 |
| | | <u>\$ 304,130</u> |
| Pension Trust Fund - | | |
| Mass Transit Administration Pension Plan | State Retirement System | \$ 899 |
| Mass Transit Administration Pension Plan | Special Revenue Fund-Maryland Department of Transportation | 918 |
| | | <u>\$ 1,817</u> |
| Agency Funds- | | |
| Local Income Taxes | General Fund | \$1,001,765 |
| Payroll Taxes & Fringe Benefits | General Fund | 68,000 |
| Insurance Premium Taxes | General Fund | 32,976 |
| Local Transportation Funds and Other Taxes | General Fund | 15,783 |
| | | <u>\$1,118,524</u> |
| Components Units - Higher Education Fund | General Fund | <u>\$ 446,961</u> |
| Components Units - Proprietary - | | |
| Maryland Stadium Authority | General Fund | \$ 1,217 |
| Maryland Food Center Authority | General Fund | 5,941 |
| Maryland Industrial Development Financing Authority | General Fund | 38,906 |
| | | <u>\$ 46,064</u> |

7. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2000, consist of the following (amounts expressed in thousands).

| | Primary Government | | | | | Component Units | |
|--|--------------------|-----------------|--------------|------------------|-------------|------------------|------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Higher Education | Proprietary Fund Types |
| Notes receivable: | | | | | | | |
| Political subdivisions - | | | | | | | |
| Water quality projects..... | | | \$ 8,457 | | \$ 314,568 | | |
| Construction | | \$11,843 | | | | | |
| Other | | | 1,121 | | | | \$6,618 |
| Hospitals and nursing homes | | | 11,524 | | | | |
| Permanent mortgage loans | | | | | 2,402,073 | | |
| Student and health profession loans | | | | | | \$69,278 | |
| Shore erosion loans..... | | | | \$11,954 | | | |
| Other | \$3,802 | | | | | 5,221 | |
| Total | 3,802 | 11,843 | 21,102 | 11,954 | 2,716,641 | 74,499 | 6,618 |
| Less: Allowance for possible loan losses | | | 6 | | 128,444 | 8,257 | |
| Loans and notes receivable, net | \$3,802 | \$11,843 | \$21,096 | \$11,954 | \$2,588,197 | \$66,242 | \$6,618 |

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.0% to 9.2% and mature over approximately 28 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds federal assistance program.

The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes.

Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

As of June 30, 2000, the Maryland Environmental Service (Service) has direct financing leases with the State of Maryland. The present value of the direct financing leases as of June 30, 2000, is \$9,356,000. As of June 30, 2000, the Service held \$3,684,000 to be spent to complete assets under these direct financing leases. Lease payments receivable (including unearned interest) for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

| | |
|--|----------|
| 2001 | \$ 1,941 |
| 2002 | 1,804 |
| 2003 | 1,649 |
| 2004 | 1,550 |
| 2005 | 1,394 |
| 2006 and thereafter | 9,537 |
| Total | 17,875 |
| Less: Unearned interest income | 4,835 |
| | 13,040 |
| Restricted investments related to unexpended bond proceeds | 3,684 |
| Net investments in direct financing leases | \$ 9,356 |

As of June 30, 2000, the Maryland Stadium Authority (Authority) has direct financing leases with the State of Maryland. The present value of the direct financing leases as of June 30, 2000, is \$293,492,000. As of June 30, 2000, the Authority held \$28,000 to be spent to complete assets under these direct financing leases. Lease payments receivable (including unearned interest) for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

| | |
|--|-----------|
| 2001 | \$ 25,932 |
| 2002 | 25,909 |
| 2003 | 25,876 |
| 2004 | 26,702 |
| 2005 | 25,636 |
| 2006 and thereafter | 402,443 |
| Total | 532,498 |
| Less: Unearned interest income | 238,978 |
| | 293,520 |
| Restricted investments related to unexpended bond proceeds | 28 |
| Net investments in direct financing leases | \$293,492 |

8. Property, Plant And Equipment:

A. Enterprise Funds:

Property, plant and equipment of the Enterprise funds, as of June 30, 2000, consists of the following (amounts expressed in thousands).

| | |
|--------------------------------------|----------|
| Structure and improvements | \$ 1,028 |
| Equipment | 30,951 |
| | 31,979 |
| Less: Accumulated depreciation | 23,289 |
| Total | \$ 8,690 |

B. General Fixed Assets:

General fixed assets activity by asset classification for the year ended June 30, 2000, are as follows (amounts expressed in thousands).

| Classification | Balance July 1, 1999 | Additions | Deletions | Transfers in (out) | Balance June 30, 2000 |
|---------------------------------|-------------------------|-----------|-----------|-----------------------|--------------------------|
| Land and improvements..... | \$ 1,461,746 | \$ 49,341 | \$ 27,504 | \$ 32,061 | \$ 1,515,644 |
| Structure and improvements..... | 6,654,591 | 41,825 | 110,474 | 192,338 | 6,778,280 |
| Equipment..... | 1,815,329 | 104,888 | 90,719 | 61,468 | 1,890,966 |
| Construction in progress..... | 402,336 | 249,807 | | (285,867) | 366,276 |
| Total..... | \$10,334,002 | \$445,861 | \$228,697 | \$ — | \$10,551,166 |

C. Component Units:

Property, plant and equipment of the discretely presented Component Units, as of June 30, 2000, consists of the following (amounts expressed in thousands).

| | Higher Education Fund | Proprietary Funds |
|--|-----------------------|-------------------|
| Land and improvements (proprietary funds include \$1,591 of land held for development) | \$ 67,009 | \$ 4,664 |
| Structure and improvements | 2,651,968 | 48,641 |
| Equipment | 670,523 | 14,672 |
| Construction in progress..... | 294,644 | 1,566 |
| | 3,684,144 | 69,543 |
| Less: Accumulated depreciation..... | | 44,062 |
| Total | \$3,684,144 | \$25,481 |

9. Long-Term Obligations:

A. General Long-Term Debt:

Changes in general long-term debt, for the year ended June 30, 2000, are as follows (amounts expressed in thousands).

| | General Obligation Bonds | Transportation Bonds | Maryland Transportation Authority Bonds | Accrued Self- Insurance Costs | Accrued Annual Leave | Obligations Under Capital Leases | Obligations Under Capital Leases with Component Units | Total Long- Term Obligations |
|--|--------------------------------|-------------------------|--|--|----------------------------|---|---|---------------------------------------|
| Balance, July 1, 1999..... | \$3,500,228 | \$754,735 | \$344,489 | \$134,986 | \$168,406 | \$251,259 | \$310,313 | \$5,464,416 |
| Bond issuances..... | 125,000 | 75,000 | | | | | | 200,000 |
| Bond accretion..... | | | 3,955 | | | | | 3,955 |
| New obligations under capital leases | | | | | | 54,489 | | 54,489 |
| Reduction in bond principal..... | (276,362) | (99,915) | (29,770) | | | | | (406,047) |
| Retirements of obligations under capital leases | | | | | | (66,153) | (7,465) | (73,618) |
| Net increase in accrued self- insurance costs | | | | 10,230 | | | | 10,230 |
| Net increase in accrued annual leave | | | | | 14,512 | | | 14,512 |
| Balance, June 30, 2000..... | \$3,348,866 | \$729,820 | \$318,674 | \$145,216 | \$182,918 | \$239,595 | \$302,848 | \$5,267,937 |

General Obligation Bonds -

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, including facilities for institutions of higher education and the construction of public schools in political subdivisions.

Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts for part or all of the loans authorized by particular enabling acts.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, debt service fund loan repayments and general fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2000, the State issued \$125,000,000 of general obligations at a premium of \$2,004,000 with related issuance costs of \$81,000.

Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

As of June 30, 2000, the State has \$98,325,000 of defeased debt outstanding, none of which was defeased during the year ended June 30, 2000.

General obligation bonds issued and outstanding, as of June 30, 2000, are as follows (amounts expressed in thousands).

| Issue | Maturity | Interest Rates | Principal Issued | Principal Outstanding |
|-------------|------------|----------------|--------------------|-----------------------|
| 3/13/86 | 1989-2001 | 6.40-6.50 | \$ 124,585 | \$ 14,330 |
| 7/24/86 | 1990-2002 | 6.50-6.70 | 164,645 | 34,860 |
| 7/9/87 | 1991-2003 | 6.30-6.50 | 144,860 | 43,755 |
| 7/18/89 | 1992-2004 | 6.40-6.50 | 80,000 | 6,785 |
| 3/3/90 | 1993-2005 | 6.00-6.70 | 130,000 | 11,020 |
| 7/17/90 | 1994-2006 | 6.40-6.80 | 95,000 | 24,245 |
| 10/16/90 | 1994-2006 | 6.10-7.10 | 95,000 | 15,665 |
| 3/26/91 | 1994-2006 | 5.50-6.50 | 95,000 | 33,235 |
| 7/1/91 | 1996-2001 | 5.60-6.10 | 11,787 | 3,771 |
| 7/23/91 | 1995-2007 | 5.50-6.50 | 100,000 | 52,725 |
| 10/22/91 | 1995-2007 | 5.10-6.10 | 120,000 | 75,585 |
| 5/27/92 | 1995-2007 | 4.40-6.00 | 120,000 | 75,495 |
| 2/2/93 | 1996-2008 | 4.75-5.50 | 130,000 | 90,150 |
| 6/3/93(a) | 1994-2008 | 4.50-5.50 | 278,150 | 225,580 |
| 10/21/93(a) | 1995-2009 | 3.00-4.75 | 283,545 | 238,035 |
| 3/3/94(a) | 1995-2009 | 3.50-4.75 | 184,210 | 133,015 |
| 6/2/94 | 1997-2009 | 4.875-5.50 | 120,000 | 91,435 |
| 10/20/94 | 1998-2010 | 5.00-6.00 | 160,000 | 131,985 |
| 3/23/95 | 1998-2010 | 5.00-5.70 | 175,000 | 145,090 |
| 10/26/95 | 1998- 2010 | 4.50-5.125 | 150,000 | 132,380 |
| 2/29/96 | 1999-2011 | 4.00-4.90 | 170,000 | 150,035 |
| 6/20/96 | 1999-2011 | 5.00-5.25 | 150,000 | 132,740 |
| 10/24/96 | 2000-2012 | 5.00 | 170,000 | 160,500 |
| 3/13/97 | 2000-2012 | 5.00 | 240,000 | 226,450 |
| 8/14/97 | 2001-2013 | 4.75-5.00 | 250,000 | 250,000 |
| 3/5/98 | 2001-2013 | 4.50-5.00 | 250,000 | 250,000 |
| 7/28/98 | 2002-2014 | 5.00-5.25 | 250,000 | 250,000 |
| 3/11/99 | 2002-2014 | 4.00-4.50 | 225,000 | 225,000 |
| 7/29/99 | 2003-2015 | 4.25-5.25 | 125,000 | 125,000 |
| | | | <u>\$4,591,782</u> | <u>\$3,348,866</u> |

(a) Includes refunding debt

General obligation bonds authorized but unissued as of June 30, 2000, total \$1,363,620,000.

As of June 30, 2000, general obligation debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands):

| Years Ending June 30, | Total | Years Ending June 30, | Total |
|-----------------------|---------------|-----------------------|---------------|
| 2001 | \$465,423,013 | 2009 | \$283,875,611 |
| 2002 | 470,421,355 | 2010 | 244,260,451 |
| 2003 | 459,224,936 | 2011 | 207,657,445 |
| 2004 | 424,855,459 | 2012 | 158,205,805 |
| 2005 | 406,259,018 | 2013 | 114,658,306 |
| 2006 | 382,031,821 | 2014 | 61,855,475 |
| 2007 | 349,622,144 | 2015 | 12,617,744 |
| 2008 | 312,111,256 | | |

On August 3, 2000, general obligation bonds aggregating \$200,000,000 were issued. The interest rates on this issue range from 4.25% to 5.25% and the bonds mature serially through 2014.

Transportation Bonds —

Transportation Bonds outstanding as of June 30, 2000, are as follows (amounts expressed in thousands).

| | Outstanding |
|--|------------------|
| Consolidated Transportation Bonds -- 4.0% to 6.4%, due serially through 2014 | \$300,200 |
| Consolidated Transportation Bonds, Refunding - 4.0% to 5.5%, due serially through 2006 | 424,570 |
| County Transportation Bonds -- 5.6% to 6.2%, due serially through 2006 | 5,050 |
| | <u>\$729,820</u> |

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$1,200,000,000. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2000, was \$965,000,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2000, was \$724,770,000. Consolidated Transportation Bonds are paid from the transportation debt service fund. Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and a portion of the corporate income tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses, for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (ii) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

County Transportation Bonds are issued by the Department, and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities, and to provide local participating funds for federally-aided highway projects. Debt service on these bonds is payable from the counties' and Baltimore City's shares of highway user revenues.

Legislation was enacted during the 1993 session of the General Assembly that established an alternative County transportation bond program. This new legislation provides features similar to the previous program except that the County transportation debt will be the obligation of the participating counties rather than the Department.

On December 15, 1999, Consolidated Transportation Bonds in the amount of \$75,000,000 were issued by the Department with a net premium of \$494,000. The Bonds are dated December 15, 1999, with maturities ranging from December 15, 2002 to December 15, 2014, at interest rates ranging from 4.1% to 5.8%.

As of June 30, 2000, the Department has \$74,400,000 of defeased debt outstanding, none of which was defeased during the fiscal year ended June 30, 2000.

As of June 30, 2000, Department bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

| Years Ending June 30 | Consolidated Transportation Bonds | County Transportation Bonds | Total Transportation Bond Debt Service Requirements |
|----------------------|--------------------------------------|--------------------------------|---|
| 2001..... | \$109,674 | \$873 | \$110,547 |
| 2002..... | 113,178 | 878 | 114,056 |
| 2003..... | 119,846 | 886 | 120,732 |
| 2004..... | 122,625 | 885 | 123,510 |
| 2005..... | 127,060 | 891 | 127,951 |
| 2006..... | 91,849 | 888 | 92,737 |
| 2007..... | 52,686 | 892 | 53,578 |
| 2008..... | 38,687 | | 38,687 |
| 2009..... | 29,837 | | 29,837 |
| 2010..... | 25,173 | | 25,173 |
| 2011..... | 14,555 | | 14,555 |
| 2012..... | 15,398 | | 15,398 |
| 2013..... | 9,560 | | 9,560 |
| 2014..... | 9,819 | | 9,819 |
| 2015..... | 10,030 | | 10,030 |

On October 18, 2000, the Department issued \$33,000,000 of the Maryland Department of Transportation Project Certificates of Participation (Mass Transit Administration Project), Series 2000, to finance the expansion of the existing Maryland Rail Commuter ("MARC") BWI Rail Station parking facility. The annual interest rates on the Certificates range from 5.0-5.5% and the maturity date is October 15, 2025.

Maryland Transportation Authority Bonds -

Bonds outstanding as of June 30, 2000, are as follows (amounts expressed in thousands).

| | |
|--|-----------|
| Series 1991 Revenue bonds, maturing in annual installments from \$6,355 to \$9,380 from July 1, 2000, to July 1, 2006, with interest rates ranging from 6.1% to 6.5%, payable semiannually | \$ 39,520 |
| Series 1992 Revenue bonds, maturing in annual installments from \$6,165 to \$14,570 from July 1, 2000, to July 1, 2013, with interest rates ranging from 5.2% to 5.8%, payable semiannually | 72,225 |
| Capital appreciation bonds maturing in annual installments of original principal and an accreted amount ranging from \$3,000 to \$15,420 from July 1, 2004, to July 1, 2015, with approximate yield to maturity of 6.0% to 6.4%..... | 66,179 |
| Current interest term bonds with interest payable semiannually at 5.8%, due July 1, 2015 | 27,020 |
| Series 1998 Revenue Refunding Bonds maturing in annual installments ranging from \$185 to \$9,510 from July 1, 2000 to July 1, 2006 with interest rates ranging from 4.1% to 5.0%, payable semiannually..... | 16,200 |
| Series 1994, Special Obligation Revenue bonds maturing in annual installments from \$3,830 to \$12,230 from July 1, 2000 to June 30, 2020, with interest rates ranging from 4.1% to 6.3% payable semiannually..... | 97,530 |
| Total..... | \$318,674 |

The Maryland Transportation Authority (Authority) has issued Transportation Facilities Projects Revenue Bonds, Series 1991 and 1992, which are payable solely from the revenues of the transportation facilities projects.

The Series 1991 Revenue Bonds, the bonds maturing after July 1, 2001, are subject to redemption, at the Authority's option on or after July 1, 2001. The redemption prices range from 100% to 102% of the principal amount. The debt service reserve requirement for the 1991 Revenue Bonds, in the amount of \$9,990,000, has been satisfied through a surety bond.

With respect to the 1992 Revenue Bonds, \$13,130,000 of the current interest term bonds stated to mature on July 1, 2015, are subject to mandatory sinking fund redemption on July 1, 2014, at a redemption price equal to the principal amount, plus accrued interest. The debt service reserve requirement for these bonds, in the amount \$22,107,000, has been satisfied through the deposit of cash with the trustee and is included in the debt service fund on the balance sheet. The current interest serial bonds stated to mature on July 1, 2013, and the balance of the current interest term bonds stated to mature on July 1, 2015, are subject to redemption at the option of the authority on or after July 1, 2002, without premium. The capital appreciation bonds are not subject to early redemption. Capital appreciation bonds payable as of June 30, 2000, include an accreted amount of \$25,284,000.

During the year ended June 30, 1994, the Authority issued \$162,580,000 of Special Obligation Revenue Bonds, to finance a portion of the Airport Facilities Projects located at Baltimore/Washington International Airport.

The Special Obligation Revenue Bonds are payable as to principal and interest solely from Passenger Facility Charges (PFCs) received by the Maryland Aviation Administration (MAA) and deposited with the Trustee (Signet Trust Company) and amounts deposited in the general account maintained by the Authority under the Trust Agreement. The Series 1994 Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from PFCs.

In July 1999, the Authority made \$13,905,000 in principal redemption payments in excess of the required payments for the Special Obligation Revenue Bonds. Subsequent to year end, in July 2000, the Authority made \$5,570,000 in principal redemption payments.

As of June 30, 2000, Maryland Transportation Authority Bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

| Years Ending June 30, | Total | Years Ending June 30, | Total |
|-----------------------|----------|-----------------------|----------|
| 2001 | \$31,477 | 2011 | \$27,589 |
| 2002 | 31,499 | 2012 | 27,590 |
| 2003 | 31,523 | 2013 | 27,587 |
| 2004 | 36,301 | 2014 | 27,594 |
| 2005 | 37,498 | 2015 | 27,587 |
| 2006 | 37,531 | 2016 | 18,045 |
| 2007 | 37,571 | 2017 | 357 |
| 2008 | 27,594 | 2018 | 356 |
| 2009 | 27,585 | 2019 | 356 |
| 2010 | 27,588 | 2020 | 5,926 |

Obligations Under Capital Leases -

Obligations under capital leases as of June 30, 2000, bore interest at annual rates ranging from 3.4% to 7.7%. Capital Lease Obligations with third parties in fiscal year 2000 increased by \$54,489,000 of which \$19,735,000 was for master equipment leases entered into by the general fund and \$34,754,000 for Department of Transportation and Maryland Transportation Authority airport facilities and construction projects. The capital leases with component units include capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain Lottery games and capital leases with the

Maryland Environmental Service. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2000 (amounts expressed in thousands).

| Years Ending June 30, | Capital Lease Obligations with | |
|---|--------------------------------|-----------------|
| | Third Parties | Component Units |
| 2001 | \$ 61,560 | \$ 27,873 |
| 2002 | 36,113 | 27,713 |
| 2003 | 30,343 | 27,525 |
| 2004 | 24,551 | 28,252 |
| 2005 | 22,211 | 27,030 |
| 2006 and thereafter | 185,334 | 411,980 |
| Total future minimum payments | 360,112 | 550,373 |
| Less: Amount representing interest | 120,517 | 247,525 |
| Present value of net minimum payments | \$239,595 | \$302,848 |

B. Long Term Obligations - Enterprise Funds -

The enterprise fund long-term obligations as of June 30, 2000, consist of the following (amounts expressed in thousands).

| | |
|---|-------------|
| Community Development Administration Revenue Bonds | \$2,606,943 |
| Maryland Water Quality Financing Administration Revenue Bonds | 127,656 |
| Total Revenue Bonds | 2,734,599 |
| Maryland State Lottery Agency Notes Payable | 4,068 |
| Accrued Self-Insurance Costs | 537 |
| Accrued Annual Leave | 1,485 |
| Total long-term obligations | \$2,740,689 |

Maturities of enterprise funds notes payable and revenue bond principal are as follows (amounts expressed in thousands).

| Years Ending June 30, | Community Development Administration | Maryland Water Quality Financing Administration | Maryland State Lottery Agency |
|---------------------------|--------------------------------------|---|-------------------------------|
| 2001 | \$ 215,664 | \$ 9,195 | \$1,551 |
| 2002 | 53,997 | 8,655 | 1,144 |
| 2003 | 62,966 | 6,619 | 441 |
| 2004 | 65,960 | 6,535 | 482 |
| 2005 | 69,088 | 5,816 | 450 |
| 2006 and thereafter | 2,139,268 | 90,836 | |
| | \$2,606,943 | \$127,656 | \$4,068 |

Community Development Administration (Administration) - Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$2,917,980,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 3.7% to 10.4%, with the bonds maturing serially through July 2042. The principal amount outstanding as of June 30, 2000, is \$2,606,943,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 102% of the outstanding principal amount. During fiscal year 2000, the Administration issued \$535,358,000 of revenue bonds with interest rates ranging from 3.7% to 6.4% and maturing serially through July 2042.

Subsequent to June 30, 2000, the Administration issued and redeemed a total of \$80,000,000 and \$36,540,000 respectively, of revenue bonds.

Maryland Water Quality Financing Administration (Administration) - Revenue Bonds -

The Administration, an agency of the Department of Environment, has issued revenue bonds for making loans. Interest rates range from 4.3% to 6.9% with principal of \$107,106,000 due serially from September 1, 1999 to September 1, 2014, and term bonds aggregating principal of \$20,550,000 due from September 1, 2013 to 2015. These bonds are payable solely from the revenue, money or property of the Administration. The bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at premiums ranging up to 2.5% of the outstanding principal amount.

As of June 30, 2000, the Administration had \$44,295,000 of debt defeased. The loss of \$4,185,000 from the defeasance is being deferred and amortized through interest expense through the year 2011.

Maryland State Lottery Agency (Lottery) - Notes Payable -

As of June 30, 2000, the Lottery had notes payable outstanding related to the financing of certain gaming equipment. The balance outstanding as of June 30, 2000, is \$4,068,000. Payments of principal and interest, at rates ranging from 4.5% to 6.7%, are to be made through 2005.

C. Long Term Obligations - Component Units:

Higher Education Fund -

Certain State higher education institutions have issued revenue bonds and mortgage loans payable for the acquisition and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. The mortgage loans payable are collateralized by real estate. Interest rates range from 4.3% to 7.2% on the revenue bonds with the rate being 3.0% on the mortgage loans payable. Since June 1992, the University System of Maryland (System) has issued serial Notes Payable to finance the acquisition of new equipment and to refinance the balance of amounts due under certain installment purchase agreements for equipment then in the possession of the System. Payments of principal and interest, at rates ranging from 2.6% to 6.2%, are to be made semiannually through 2007. The Notes Payable are callable, at the option of the System, at premiums of no more than 2.0% of the outstanding principal, beginning in 2003. Maturities of principal are as follows (amounts expressed in thousands).

| Years Ending June 30, | Notes Payable and Other Long-Term Debt | Revenue Bonds | Total |
|--------------------------|---|------------------|------------------|
| 2001..... | \$ 4,782 | \$ 34,229 | \$ 39,011 |
| 2002..... | 4,987 | 35,861 | 40,848 |
| 2003..... | 5,046 | 35,803 | 40,849 |
| 2004..... | 5,321 | 36,352 | 41,673 |
| 2005..... | 5,483 | 35,208 | 40,691 |
| 2006 and thereafter..... | 81,691 | 414,175 | 495,866 |
| | <u>\$107,310</u> | <u>\$591,628</u> | <u>\$698,938</u> |

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

On September 1, 1999, the System issued \$19,140,000 of University System of Maryland Auxiliary Facility and Tuition 1999 Series B Revenue Bonds. The 1999 Series B bonds consist of serial and term bonds maturing through the year ended June 30, 2008 with stated rates of interest of from 4.1% to 5.0%, and were issued at an aggregate premium of \$167,000. The proceeds of the 1999 Series B bonds were used to advance refund \$18,647,000 of 1989 Series A bonds. The advance refunding of Revenue Bonds reduced future debt service requirements by \$1,189,000 and resulted in an economic gain (the present value of the difference between the debt service requirements on the old, refunded debt and the new debt) of \$811,000.

At June 30, 2000, cash and cash equivalents in the amount of \$18,115,000 were held by the trustee as unexpended proceeds of the Revenue Bonds.

On July 20, 2000, the System issued \$90,000,000 of University System of Maryland Auxiliary Facility and Tuition 2000 Series A Revenue Bonds. The 2000 Series A bonds consist of serial bonds maturing through the year ended June 30, 2020 with stated rates of interest of 4.5% to 5.8% and were issued at an aggregate premium of \$205,242.

On July 15, 2000, St. Mary's College of Maryland issued \$11,245,000 of Academic Fees and Auxiliary Facility Fees Revenue Bonds, 2000 Series A. Proceeds of the bonds will be used to pay for the construction of a new student housing facility, renovation of an addition to the existing gymnasium and the issuance costs of the Revenue Bonds, 2000 Series A.

Obligations under capital leases of \$8,743,000 exist as of June 30, 2000, bearing interest at annual rates ranging from 4.6% to 7.2%. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2000 (amounts expressed in thousands).

| Years Ending June 30, | Amount |
|--|-----------------|
| 2001..... | \$ 1,690 |
| 2002..... | 1,462 |
| 2003..... | 1,253 |
| 2004..... | 954 |
| 2005..... | 512 |
| 2006 and thereafter..... | 7,936 |
| Total future minimum payments..... | <u>\$13,807</u> |
| Less: Amount representing interest..... | <u>5,064</u> |
| Present value of net minimum payments..... | <u>\$ 8,743</u> |

Proprietary Fund Type -

Maturities of component unit - proprietary fund type revenue bond principal and notes payable are as follows (amounts expressed in thousands).

| Years Ending June 30, | Maryland Stadium Authority | Maryland Food Center Authority | Maryland Environmental Service | Total |
|---------------------------|----------------------------|--------------------------------|--------------------------------|------------------|
| 2001 | \$ 7,545 | \$176 | \$ 2,521 | \$ 10,242 |
| 2002 | 7,980 | 129 | 2,564 | 10,673 |
| 2003 | 8,540 | 135 | 2,530 | 11,205 |
| 2004 | 9,815 | | 2,409 | 12,224 |
| 2005 | 9,575 | | 2,349 | 11,924 |
| 2006 and thereafter | 249,946 | | 16,489 | 266,435 |
| | <u>\$293,401</u> | <u>\$440</u> | <u>\$28,862</u> | <u>\$322,703</u> |

Maryland Stadium Authority (Authority) - Revenue Bonds -

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, and convention center expansions in Baltimore City and the Town of Ocean City. The outstanding debt is to be repaid through capital lease payments from the State of Maryland, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2000, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

| Facility | Outstanding Amount | Interest Rates | Maturity Date |
|--|--------------------|----------------|-------------------|
| Baseball Stadium | \$138,326 | 6.5% to 7.6% | December 15, 2020 |
| Football Stadium | 89,910 | 4.7% to 5.8% | March 1, 2026 |
| Baltimore City Convention Center | 49,085 | 5.3% to 5.9% | December 15, 2014 |
| Ocean City Convention Center | 16,080 | 4.8% to 5.4% | December 15, 2015 |

During 1993, the Authority entered into an interest rate swap agreement, a forward bond purchase agreement and a remarketing agreement for the refunding of \$121,380,000 of 7.3% fixed rate Series 1989D Bonds. The Authority agreed to retire the fixed rate debt and issue variable rate debt by December 1998. During April 1996, the Authority received approximately \$13,049,000, related to the interest rate swap and forward bond purchase agreement. The Authority deferred this gain and is amortizing it over the life of the related debt agreements. On December 9, 1999, in accordance with the above agreements, the Authority issued taxable floating rate bonds, Series 1999, to refinance the Series 1989D Bonds. Under terms of the interest swap agreement, there was no change in the Authority's debt service payments. As a result \$121,380,000 of the Series 1989 D bonds are considered defeased and the liability for those bonds has been removed from lease revenue bonds payable. This refunding resulted in an excess of the reacquisition price over the net carrying amount of the old debt of \$3,467,000. This difference reported as a deduction from lease revenue bonds payable is being amortized to interest expense through the year 2019. The Authority completed the refunding to reduce its debt service payments by \$1,728,000 and to obtain an economic gain of \$10,323,000.

Maryland Food Center Authority (Authority) - Revenue Bonds -

As of June 30, 2000, the Authority had revenue bonds outstanding of \$440,000 which bear interest at 7.0% and mature June 15, 2003.

Maryland Environmental Service (Service)- Revenue Bonds -

The Service has issued revenue bonds and other debt for the construction of certain projects. The balance as of June 30, 2000, is \$28,862,000. The debt bears interest at rates ranging from 3.3% to 7.5%. The bonds are collateralized by the revenues of the related projects. All rights, title and interest in the related property, plant and equipment remains with the Service until expiration or completion of the project and repayment of the revenue bonds. Thereafter, title to the assets passes to the governmental unit served by the projects.

During the year ended June 30, 2000, funds received from the sale of land were used to defease a portion of the Regional Yard Debris Composting Project Revenue Bonds. U.S. Government securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$1,170,000 of the bonds. As a result, such amount is considered to be defeased, and the liability for these bonds has been removed from long-term debt. While there was no economic gain or loss on this transaction, an accounting loss on the defeasance of \$53,000 has been recognized in the year ended June 30, 2000.

On March 1, 1999, the Service issued \$11,555,000 in Regional Landfill Project Revenue Bonds, 1999 Series Bonds, with interest rates of 3.5% to 4.2%. A portion of the proceeds were used to advance refund \$5,430,000 of the outstanding Regional Landfill Project Revenue Bonds, 1990 Series with interest rates of 5.9% to 6.9%. Proceeds of \$5,686,000 from the Series 1999 Bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all

future debt service payments on the portion of the Series 1990 Bonds being advanced refunded and which were subsequently paid in March 2000. As a result, \$5,430,000 of the Series 1990 Bonds were considered to be defeased, and the liability for those bonds was removed from revenue bonds and notes payable.

The advance refunding resulted in an excess of the reacquisition price over the net carrying amount of the old debt of \$392,000. This difference, reported as a deduction from bonds payable, is being amortized to interest expense through the year 2010. The Service completed the advance refunding to reduce its total debt service payments over the next 11 years by \$435,000 and to obtain an economic gain of \$495,000.

Subsequent of June 30, 2000, the Service issued \$6,385,000 in Cecil County Landfill Project Revenue Bonds Series 2000 (Series 2000 Bonds) with interest rate of 4.8% to 5.5%. These bonds constitute special obligations of the Service payable solely from revenues (sublease payments) from the project pledged by bond indenture.

10. Loans from Primary Government:

Component Units - Maryland Food Center Authority (Authority) -

The State loaned the Authority \$4,000,000, which the Authority is obligated to repay after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The loan accrued interest until June 30, 1993. The outstanding balance as of June 30, 2000, including deferred interest of \$1,577,000 was \$5,577,000.

The Authority assumed a non-interest bearing obligation in the amount of \$795,000 due to the debt service fund of the primary government pursuant to the transfer of the assets and obligations of the New Marsh Market to the Authority. The Authority is obligated to repay the debt service fund after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The outstanding principal as of June 30, 2000, is \$795,000.

Component Units - Maryland Pre-Paid College Trust (Trust) -

During the fiscal year ended June 30, 2000, the Trust was granted a loan of \$250,000 from the Maryland Higher Education Commission (MHEC). Additionally, in fiscal year 1999, the Trust was granted and received additional loans totaling \$400,000, of which \$30,000 has been repaid. The loans are non-interest bearing. During the 2000 legislative session, the General Assembly included a provision in the annual budget bill which permits the Trust to delay its outstanding loan repayments until the Trust is financially self-sufficient.

11. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4.0% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 2000 were as follows (amounts expressed in thousands).

| | Beginning-of-Fiscal-Year Liability | Claims and Changes in Estimates | Claim Payments | End-of-Fiscal-Year Liability |
|---|------------------------------------|---------------------------------|----------------|------------------------------|
| Property, Casualty and General Liability..... | \$ 8,626 | \$ 6,241 | \$ 6,191 | \$ 8,676 |
| Workers' Compensation | 159,000 | 47,020 | 34,020 | 172,000 |
| Employee Health Benefits | 39,315 | 360,990 | 356,264 | 44,041 |
| Total Self-Insurance Costs | \$206,941 | \$414,251 | \$396,475 | \$224,717 |

As of June 30, 2000, the Program held \$173,152,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 1999 were as follows (amounts expressed in thousands).

| | Beginning-of Fiscal-Year Liability | Claims and Changes in Estimates | Claim Payments | End-of Fiscal-Year Liability |
|--|--|---------------------------------------|-------------------|------------------------------------|
| Property, Casualty and General Liability | \$ 7,779 | \$ 8,951 | \$ 8,104 | \$ 8,626 |
| Workers' Compensation | 151,000 | 36,306 | 28,306 | 159,000 |
| Employee Health Benefits..... | 32,123 | 306,241 | 299,049 | 39,315 |
| Total Self-Insurance Costs | \$190,902 | \$351,498 | \$335,459 | \$206,941 |

12. Equity:

Fund Balances/Retained Earnings -

Fund balances and retained earnings are reserved as follows (amounts expressed in thousands).

| | Governmental Fund Types | | | | Fiduciary Fund Types | Component Units | |
|--|-------------------------|--------------------|-----------------|---------------------|-------------------------|---------------------|---------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Trust and Agency | Higher Education | Proprietary Fund Types |
| Loans and Notes Receivable | | \$ 11,843 | \$21,096 | | | | |
| Loans to Component Units | \$ 3,100 | | 6,372 | | | | |
| State Reserve Fund | 697,805 | | | | | | |
| Encumbrances..... | 208,807 | 70,510 | | \$328,718 | | \$ 12,940 | |
| Agency Activities | 162,771 | 21,732 | | | | | \$5,411 |
| Shore Erosion Loan Program | | | | 11,954 | | | |
| Pension Benefits..... | | | | | \$33,189,145 | | |
| Deferred Compensation Benefits..... | | | | | 1,602,274 | | |
| Unemployment Compensation Benefits | | | | | 949,089 | | |
| Local Government Investment Pool | | | | | 701,271 | | |
| Higher Education Programs | | | | | | 105,379 | |
| Endowment Funds..... | | | | | | 215,936 | |
| Debt and Plant Additions | | | | | | 143,672 | |
| Total reserved fund balance/retained earnings... | \$1,072,483 | \$104,085 | \$27,468 | \$340,672 | \$36,441,779 | \$477,927 | \$5,411 |

Loans receivable maturing after June 30, 2000, in the amount of \$11,843,000 and \$21,096,000 are not available for current operations and, accordingly, have been reflected as reservations of the special revenue and debt service fund balance.

Portions of the general fund balance and the special revenue fund balance, in the amounts of \$162,771,000 and \$21,732,000 respectively, as of June 30, 2000, representing special budgetary and non-budgeted agency resources, were reserved for agency activities and programs.

A portion of the general fund balance, in the amount of \$697,805,000 as of June 30, 2000, has been reserved for the State Reserve Fund. The State Reserve Fund is comprised of a Dedicated Purpose Account, an Economic Development Opportunities Program Fund, a Catastrophic Event Fund and a Revenue Stabilization Account with balances as of June 30, 2000, of \$97,890,000, \$16,325,000, \$1,728,000, and \$581,862,000 respectively. The Dedicated Purpose Account is designed to retain appropriations for major multi-year expenditures and to meet contingency requirements. The Economic Development Opportunities Program Fund is to be used for extraordinary economic development opportunities and only as a supplement to existing programs. The Catastrophic Event Fund is to be used to respond without undue delay to a natural disaster or other catastrophic event that cannot be managed without appropriations. The Revenue Stabilization Account is designed to retain State revenues for future needs and reduce the need for future tax increases.

A portion of the general fund unreserved fund balance is designated for fiscal year 2000 appropriations in the amount of \$784,457,000. Furthermore, portions of the debt service unreserved fund balance are designated for payment of the debt service on the general long-term debt, Transportation debt and the Maryland Transportation Authority bond debt in the amounts of \$15,565,000, \$4,343,000, and \$78,642,000 respectively.

Restatement of beginning fund balance -

The beginning fund balance of the fiduciary fund types, expendable trust funds has been restated. The Deferred Compensation Plan fund balance has been restated to reflect the accounting change to a fiscal year end date of December 31, 1999. The amount of the fund balance previously reported for the year ended June 30, 1999, was \$1,337,476,000. The amount of the change to reflect the changed year end date was \$44,687,000. The restated beginning fund balance is \$1,382,163,000.

Primary Government Contributed Capital -

The changes in contributed capital of the enterprise funds for the year ended June 30, 2000, are as follows (amounts expressed in thousands).

| | Economic Development | | State Use Industries | Total |
|--|----------------------|---------------|----------------------|-----------|
| | Insurance Programs | Loan Programs | | |
| Balance, July 1, 1999..... | \$48,295 | \$690,993 | \$ 982 | \$740,270 |
| Contributions | | 41,813 | 141 | 41,954 |
| Depreciation on contributed assets | | | (249) | (249) |
| Balance, June 30, 2000..... | \$48,295 | \$732,806 | \$ 874 | \$781,975 |

Component Units - Proprietary Type Funds -

The changes in contributed capital of the component units, proprietary fund type for the year ended June 30, 2000, are as follows (amounts expressed in thousands).

| | Maryland Food Center Authority | Maryland Environmental Service | Maryland Industrial Development Financing Authority | Total |
|--|--------------------------------|--------------------------------|---|----------|
| | | | | |
| Balance, July 1, 1999..... | \$388 | \$2,433 | \$23,750 | \$26,571 |
| Depreciation on contributed assets | (12) | (226) | | (238) |
| Balance, June 30, 2000..... | \$376 | \$2,207 | \$23,750 | \$26,333 |

13. Interfund Transfers:

Interfund transfers, as of June 30, 2000, consist of the following (amounts expressed in thousands).

| Operating Transfers In | Operating Transfers Out | Amount |
|---|--|------------------|
| General Fund | Special Revenue Fund-Maryland Department of Transportation | \$ 65,339 |
| | Capital Projects Fund | 17,227 |
| | Enterprise Funds - | |
| | Maryland State Lottery Agency | 401,013 |
| | Economic Development-Insurance Programs | 2,732 |
| | Economic Development- Loan Programs | 4,363 |
| | Component Units- | |
| | Higher Education | 292 |
| | Maryland Industrial Development Financing Authority | 816 |
| | | <u>\$491,782</u> |
| Special Revenue Fund - | | |
| Maryland Department of Transportation | General Fund | \$118,878 |
| Maryland Transportation Authority | Special Revenue Fund-Maryland Department of Transportation | 22,706 |
| | | <u>\$141,584</u> |
| Debt Service Funds - | | |
| General Obligation Bonds | General Fund | \$189,270 |
| | Capital Projects Fund | 5,905 |
| | Special Revenue Fund-Maryland Department of Transportation | 135,555 |
| Maryland Department of Transportation | Special Revenue Fund-Maryland Department of Transportation | 27,434 |
| Maryland Transportation Authority | Special Revenue Fund - Maryland Transportation Authority | 21,159 |
| | | <u>\$379,323</u> |
| Capital Projects Fund | General Fund | <u>\$310,284</u> |
| | Debt Service Fund | 52 |
| | | <u>\$310,336</u> |
| Enterprise Funds - | | |
| Loan Programs | General Fund | \$ 69,711 |
| | Capital Projects Fund | 7,728 |
| | | <u>\$ 77,439</u> |
| Component Units- | | |
| Higher Education | General Fund | \$798,928 |
| | Capital Projects Fund | 88,292 |
| | | <u>\$887,220</u> |
| Component Units - Proprietary | | |
| Maryland Stadium Authority | General Fund | \$ 27,710 |
| Maryland Industrial Development Financing Authority | General Fund | 2,650 |
| Maryland Prepaid College Trust | General Fund | 420 |
| | | <u>\$ 30,780</u> |

14. Segment Information:

Activity segments included in enterprise funds are described in Note 1B. Selected financial information with respect to these segments as of and for the year ended June 30, 2000, is as follows (amounts expressed in thousands).

| | Segments | | | | Total |
|--|--------------------|--------------|-------------|--------------------------------------|-------------|
| | Insurance Programs | Loan Program | Lottery | Manufacturing (State Use Industries) | |
| Operating revenues | \$ 12,953 | \$ 225,093 | \$1,172,882 | \$39,284 | \$1,450,212 |
| Depreciation and amortization | 11 | 1,058 | 723 | 1,174 | 2,966 |
| Operating income | 3,983 | 16,637 | 406,867 | 1,991 | 429,478 |
| Operating interfund transfers: | | | | | |
| In | | 77,439 | | | 77,439 |
| Out | (2,732) | (4,363) | (401,013) | | (408,108) |
| Net income | 1,251 | 109,481 | 5,734 | 1,997 | 118,463 |
| Current capital contributions..... | | 41,813 | | 141 | 41,954 |
| Property, plant, and equipment: | | | | | |
| Additions | 2 | | 2,210 | 1,624 | 3,836 |
| Deletions | | 215 | | 16 | 231 |
| Total assets..... | 112,268 | 4,132,836 | 464,989 | 24,458 | 4,734,551 |
| Bonds and other long-term liabilities payable from operating revenues..... | | 2,734,599 | | | 2,734,599 |
| Total capital | 74,559 | 1,291,858 | 6,544 | 21,129 | 1,394,090 |
| Net working capital | 69,740 | 1,443,056 | 415,822 | 16,577 | 1,945,195 |

15. Retirement Benefits:

State Retirement and Pension System of Maryland (System):

The State contributes to the System, an agent multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Mass Transit Administration Pension Plan described below) and employees of 127 participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The System prepares a separate audited Comprehensive Annual Financial Report, which can be obtained, from the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202.

Plan Description:

The System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans which are managed by the Board of Trustees for the System. All State employees and employees of participating entities are covered by the plans.

"Retirement System" - retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System" - retirement programs for employees and teachers hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completion of 5 years of service. A member terminating employment before attaining retirement age but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member lives to age 60 (age 62 for the Pension System, age 50 for State Police) and does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age 62 or after completing 30 years of Service Credit, regardless of age. State Police members may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System Members is equal to 1/55 (1.8%) of the member's highest three-year average salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. Legislation enacted during the 1998 legislative session changed certain provisions of the Pension Systems and provided for a Contributory Pension System and a Non-Contributory Pension System. A member of the Contributory Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.4% of the highest three consecutive year average salary multiplied by the number of years of service credit after July 1, 1998. The annual benefit for a Non-Contributory Pension System member is equal to 0.8% of the member's highest three-consecutive year average salary multiplied by the number of years

of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Wage base. A member of either type of Pension System may retire with reduced benefits after attaining age 55 and completing 15 years of service.

The annual retirement allowance for a State Police member is equal to 2.6% of the member's highest three-year average salary multiplied by each year of service up to a maximum of 28 years. The annual retirement allowance for a member of the Law Enforcement Officers Pension System is 2.0% of the member's highest three-consecutive year average salary multiplied by each year of service up to a maximum of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement. Recent legislation and Internal Revenue Service approval has created a Deferred Retirement Option Program (DROP) for members of the State Police and Law Enforcement Officers System. This program allows for a member to retire from the system, accrue retirement earnings (which is held in a separate account) and continue employment until a pre-determined date.

Funding Policy:

The State's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The aggregate entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7.0% or 5.0% depending on the retirement plan selected). Members of the Contributory Pension System are required to contribute to the System 2.0% of their regular salaries and wages. Members of the Non-Contributory Pension System are required to contribute to the System 5.0% of their regular salaries and wages which exceed the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4.0% of their regular salaries and wages. All contributions are deducted from each member's salary, and wage payments are remitted to the System on a regular, periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the Board of Trustees for the System. During fiscal year 2000, the State made the required contribution totaling \$644,432,000, which was 10.7% of covered payroll. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2000, 1999 and 1998 the State had made all required contributions, and thus as of June 30, 2000, 1999 and 1998 the State did not have a net pension obligation.

Annual Pension Cost and Net Pension Obligation:

Three Year Historical Trend Information for the System is as follows (amounts expressed in thousands).

| Plan | Annual Pension Cost Fiscal Year Ended June 30, | | |
|--|---|-----------|-----------|
| | 2000 | 1999 | 1998 |
| Teachers' Retirement and Pension System | \$435,434 | \$460,592 | \$496,020 |
| Employees' Retirement and Pension System | 182,650 | 162,410 | 170,146 |
| State Police Retirement System | 1,075 | 8,270 | 8,841 |
| Judges' Retirement System | 14,730 | 15,216 | 13,292 |
| Law Enforcement Officers Pension System | 10,543 | 8,360 | 4,373 |

Percentage of Annual Pension Cost Contributed

The State contributed 100% of the annual pension cost for each of the fiscal years ending June 30, 2000, 1999 and 1998 for each of the five plans listed above.

Net Pension Obligation

The State's net pension obligation was zero as of June 30, 2000, 1999 and 1998 for each of the five plans listed. In addition, there was no transition liability determined in accordance with GASB Statement No. 27.

The fiscal year 2000 annual pension cost and net pension obligations were determined as a part of an actuarial valuation as of June 30, 2000. The significant actuarial assumptions listed below were used for all plans.

| | |
|---|--|
| Valuation method | Aggregate Entry Age Normal |
| Cost method of valuing assets | Smoothing (difference in experienced and assumed return) |
| Rate of return on investments | 8.0% |
| Rate of salary increase | Varies |
| Projected inflation rate | 5.0% |
| Post retirement benefit increase | Varies |
| Amortization method | Level Percent of Payroll |
| Remaining amortization period | 20 years as of June 30, 2000 |
| Status of period (Open or Closed) | Closed |

Mass Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Mass Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. For the year ended June 30, 2000, the Administration's covered and total payroll was \$102,923,000. The Plan is administered and funded in compliance with the collective bargaining agreements, which established the Plan. Separate statements for the Plan are not issued.

Plan Description:

The Plan provides retirement (normal and early), death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.3% of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 2000, membership in the Plan includes 1,032 retirees and beneficiaries currently receiving benefits, 337 terminated members entitled to, but not yet receiving benefits and 2,547 current active members.

There were no investments in loans to or leases with parties related to the Plan. In addition, no investment in any one organization constituted 5.0% or more of the net plan assets available for pension benefits.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling \$13,721,000 (13.3% of covered payroll) for fiscal year 2000 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 1999. This amount consisted of \$2,406,000 normal cost and \$11,315,000 amortization of the actuarial accrued liability (2.3% and 11.0%, respectively, of covered payroll).

The liquidation period for the actuarial accrued liabilities (as provided by law) is 19 years from June 30, 2000. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations.

The computation of the annual required contribution for fiscal year 2000 was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost for the fiscal years ended June 30, 2000, 1999, and 1998 were \$13,721,000, \$13,103,000 and \$13,902,000, respectively.

The Administration contributed 100% of the annual pension cost for each of the fiscal years ended June 30, 2000, 1999 and 1998 for the Plan.

The Administration's net pension obligation was zero as of June 30, 2000, 1999 and 1998 for the Plan.

The fiscal year 2000 annual pension cost and net pension obligations were determined as a part of an actuarial valuation as of June 30, 2000. The significant actuarial assumptions listed below were used for the Plan.

| | |
|--|----------------------------------|
| Valuation method | Entry Age Normal Method |
| Cost method of valuing assets..... | Fair Value |
| Rate of return on investments..... | 8.00% Compounded per Annum |
| Projected inflation rate..... | 5% |
| Rate of salary increase..... | 3.00% Compounded per Annum |
| Amortization method | Level dollar annual installments |
| Remaining amortization period | 19 years from July 1, 2000 |
| Status of period (Open or Closed)..... | Closed |

During fiscal year 2000, there were no changes in actuarial assumptions or benefit provisions from 1999 that significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

Summary of Significant Accounting Policies:

As a part of the Pension Trust Fund, the accounts of both the System and the Plan, including benefits and refunds, are maintained using the accrual basis of accounting. Fair value of the investments is determined by the State Retirement and Pension System of Maryland based on published securities data.

Quotations from national security exchanges and security pricing services, or by respective fund managers for securities which are not actively traded. Other investments are valued based on appraisals or the present value of the projected future income.

Post Retirement Benefits:

The State also provides, in accordance with State Merit System Laws, post employment health care benefits to retired employees and their dependents (generally employees who retired before July 1, 1984, employees who retired on or after July 1, 1984, with at least 5 years of creditable service and employees who receive disability retirement allowances or special death benefits). The State subsidizes approximately 50% to 90% of covered medical and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for post employment health care benefits, which is based on health care insurance charges for current employees. During fiscal year 2000, these benefits paid amounted to \$84,475,000. Costs are recognized as they are paid. There are 35,382 participants currently eligible to receive benefits.

16. Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provisions, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plans during the same plan year. For each fiscal year of the State beginning after June 30, 1999, the maximum amount contributed to this plan for each participant is \$600. A participant may receive more than \$600 in matching contributions during a plan year, but may not exceed the maximum \$600 contribution for any State fiscal year. An employee's interest in his/her account is fully vested at all times. The State's contribution for the six months ending December 31, 1999, was \$14,547,000.

17. Commitments:

The State leases office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2000 were approximately \$44,031,000. Future lease commitments under these agreements as of June 30, 2000, are as follows (amounts expressed in thousands).

| Years ending June 30, | Amounts |
|---------------------------|------------------|
| 2001 | \$ 38,475 |
| 2002 | 33,327 |
| 2003 | 26,951 |
| 2004 | 21,175 |
| 2005 | 17,509 |
| 2006 and thereafter | 49,502 |
| | <u>\$186,939</u> |

As of June 30, 2000, the State had commitments of approximately \$166,186,000 for the completion of projects under construction.

As of June 30, 2000, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$1,556,113,000 and \$57,000,00 respectively, for construction of highway and mass transit facilities.

Approximately 45% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various operating leases. Minimum future rental revenues are as follows (amounts expressed in thousands).

| Years ending June 30, | Non-cancelable Operating Leases Minimum Future Rentals |
|---------------------------|---|
| 2001 | \$ 71,421 |
| 2002 | 47,234 |
| 2003 | 17,732 |
| 2004 | 12,385 |
| 2005 | 11,953 |
| 2006 and thereafter | 71,159 |
| | <hr/> \$231,884 |

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$118,781,000 for the year ended June 30, 2000, including contingent rentals of approximately \$24,726,000.

As of June 30, 2000, the Maryland State Lottery Agency had commitments of approximately \$55,868,000 for services to be rendered relating principally to the operation of the lottery game.

As of June 30, 2000, several enterprise fund loan programs within the Department of Business and Economic Development had committed to lend a total of \$36,336,000 in additional loans (Maryland Economic Development Opportunity Program Fund \$31,726,000; Maryland Industrial and Commercial Redevelopment Fund \$4,610,000). Also, the Community Development Administration, an enterprise fund loan program, has \$104,619,000 of revenue bonds outstanding that are not included in the financial statements of the Administration. The revenue bonds are secured solely by the individual multi-family project properties, related revenues and applicable credit enhancements.

Certain State higher education institutions of the higher education fund, a component unit, lease facilities and equipment under agreements that are accounted for as operating leases. Many of the lease agreements provide for optional extensions and periodic increases in lease payments. Lease expenditures for fiscal year 2000 were approximately \$5,838,000. Future lease commitments under agreements as of June 30, 2000, are as follows (amount expressed in thousands).

| Years ending June 30, | Amounts |
|---------------------------|----------------|
| 2001 | \$ 4,258 |
| 2002 | 3,696 |
| 2003 | 2,628 |
| 2004 | 2,253 |
| 2005 | 1,790 |
| 2006 and thereafter | 1,934 |
| | <hr/> \$16,559 |

As of June 30, 2000, the higher education fund had commitments of approximately \$307,675,000 for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2000, mortgage loan insurance programs included in the enterprise funds and component unit proprietary funds were contingently liable as insurer of mortgage loans payable or portions of mortgage loans payable, in an aggregate amount of approximately \$662,560,000 (including \$572,727,000 for the economic development loan programs). In addition, there are commitments to insure mortgage loans which would represent additional contingent liabilities of approximately \$9,120,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2000, the State estimates that no material liabilities will result from such audits.

On February 13, 2000, a Mass Transit Administration (MTA) light rail train crashed into the BWI International Terminal. There were a total of 25 injured parties. Many of the claims have already been settled by the Transit Insurance Group. There are still a number of claims that remain unresolved. It is premature to make an exact determination as to the number of claims or to estimate with any reasonable certainty the value of such claims that may ultimately result in litigation.

On August 15, 2000, there was a second MTA light rail accident at the BWI International Terminal. The details and extent of the accident are still under investigation and are not available at this time.

As of June 30, 2000, the Baltimore Orioles have initiated an arbitration proceeding pursuant to its lease with the Maryland Stadium Authority contending that it is entitled to reductions in rent or credits against future obligation by reason of an alleged lack of parity between the Orioles' Authority Agreement and the Authority's separate lease with the Ravens. This contention has been disputed by the Authority in the arbitration and will be vigorously contested before the panel of arbitrators. A hearing on the Orioles claim is scheduled to begin on November 29, 2000, and a decision is not likely to be rendered until early in 2001. It is not possible at this time to evaluate the outcome or to estimate the possible cost in the event the Authority were to lose on one or more issues.

19. Tobacco Settlement

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2000 legislative session, appropriations for \$102.5 million for fiscal year 2000, and \$162.3 million for fiscal year 2001 were authorized from the proceeds in the Cigarette Restitution Fund.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share for fiscal year 2000 was \$185,164,000. Pursuant to an order of the Circuit Court of Maryland, a portion of the proceeds are separately disbursed by the Master Settlement Agreement Trustee to an escrow account for the joint benefit of the State of Maryland and legal counsel which pursued this claim. The funds in the escrow account are held pending disposition of a lawsuit pertaining to the percentage of the proceeds to be allocated to outside counsel. In fiscal year 2000, \$138,837,000 and \$46,327,000 were remitted to the State and escrow agent, respectively.

It is estimated that the payments made to the State pursuant to the Master Settlement Agreement for the 10-year period for the fiscal years 2001-2010 will total \$1.8 billion, of which a yet-to-be-determined amount will go to outside counsel. However, the actual amount paid each year will reflect adjustments for inflation and cigarette shipment volume.

20. Landfill Closure and Postclosure Care Costs:

State and Federal laws require the Maryland Environmental Service (the Service) to place a final cover on the Midshore Regional Landfill (Midshore), which is expected to close in 2010, and the Easton Landfill (Easton), which is filled to capacity and in the process of being closed, and to perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. Although closure and post-closure care costs at Midshore will be paid near or after the date the landfill stops accepting waste, the Service accrues a portion of these closure and post-closure care costs as a liability based on the estimated capacity of the landfill that has been used to date, which was 57% as of June 30, 2000. The Service recognized a liability for Easton equal to the estimated total current cost of closure and post-closure care that has not been paid. A \$4,705,000 liability is included in other liabilities in the accompanying balance sheet of the Service. Total closure and post-closure care costs are currently estimated to be approximately \$8,153,000 as determined through engineering studies. Actual costs may be higher due to inflation.

Under recently promulgated federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 1999. The Service expects to satisfy these requirements as of June 30, 2000, using the same criteria.



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**REQUIRED SUPPLEMENTARY
INFORMATION**

STATE OF MARYLAND

Required Supplemental Schedule of Funding Progress for

Pension and Retirement System

(Expressed in Thousands)

| Actuarial Valuation Date June 30, | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | (Unfunded AAL) /Excess of Assets over AAL | Funded Ratio | Covered Payroll(1) | (Unfunded AAL) /Excess as a Percentage of Covered Payroll(2) |
|---|---------------------------------|--|--|-----------------|-----------------------|---|
| TEACHERS RETIREMENT AND PENSION SYSTEM | | | | | | |
| 2000 | \$18,419,539 | \$18,994,294 | \$ (574,755) | 96.97% | \$3,753,096 | (15.31)% |
| 1999 | 16,634,932 | 18,036,251 | (1,401,319) | 92.23 | 3,576,867 | (39.18) |
| 1998 | 14,934,503 | 17,452,181 | (2,517,678) | 85.57 | 3,454,377 | (72.88) |
| 1997 | 13,142,495 | 16,292,451 | (3,149,956) | 80.67 | 3,151,218 | (99.96) |
| 1996 | 11,630,258 | 15,616,273 | (3,986,015) | 74.48 | 3,065,203 | (130.04) |
| 1995 | 10,508,766 | 14,844,365 | (4,335,599) | 70.79 | 2,986,391 | (145.18) |
| 1994 | 9,634,321 | 14,070,829 | (4,436,508) | 68.47 | 2,821,756 | (157.23) |
| EMPLOYEES RETIREMENT AND PENSION SYSTEM | | | | | | |
| 2000 | \$10,593,917 | \$ 9,907,683 | \$ 686,234 | 106.93% | \$2,870,990 | 23.90% |
| 1999 | 9,557,556 | 9,203,218 | 354,338 | 103.85 | 2,659,022 | 13.33 |
| 1998 | 8,621,081 | 8,877,652 | (256,571) | 97.11 | 2,552,880 | (10.05) |
| 1997 | 7,668,655 | 8,060,733 | (392,078) | 95.14 | 2,399,504 | (16.34) |
| 1996 | 6,870,504 | 7,690,211 | (819,707) | 89.34 | 2,474,815 | (33.12) |
| 1995 | 6,294,727 | 7,361,026 | (1,066,299) | 85.51 | 2,446,296 | (43.59) |
| 1994 | 5,843,445 | 6,969,182 | (1,125,737) | 83.85 | 2,328,321 | (48.35) |
| STATE POLICE RETIREMENT SYSTEM | | | | | | |
| 2000 | \$ 1,269,418 | \$ 911,273 | \$ 358,145 | 139.30% | \$ 82,610 | 433.54% |
| 1999 | 1,150,559 | 850,041 | 300,518 | 135.35 | 78,781 | 381.46 |
| 1998 | 1,033,274 | 739,074 | 294,200 | 139.81 | 70,663 | 416.34 |
| 1997 | 909,549 | 744,496 | 165,053 | 122.17 | 62,936 | 262.26 |
| 1996 | 802,943 | 675,097 | 127,846 | 118.94 | 60,823 | 210.19 |
| 1995 | 728,440 | 641,610 | 86,830 | 113.53 | 60,677 | 143.10 |
| 1994 | 675,456 | 606,019 | 69,437 | 111.46 | 59,098 | 117.49 |
| JUDGES RETIREMENT SYSTEM | | | | | | |
| 2000 | \$ 216,374 | \$ 236,446 | \$ (20,072) | 91.51% | \$ 30,891 | (64.98)% |
| 1999 | 192,909 | 231,394 | (38,485) | 83.37 | 30,307 | (126.98) |
| 1998 | 170,953 | 220,136 | (49,183) | 77.66 | 25,553 | (192.47) |
| 1997 | 149,283 | 213,259 | (63,976) | 70.00 | 25,007 | (255.83) |
| 1996 | 131,631 | 196,319 | (64,688) | 67.05 | 23,917 | (270.47) |
| 1995 | 118,573 | 188,445 | (69,872) | 62.92 | 23,064 | (302.95) |
| 1994 | 106,758 | 177,720 | (70,962) | 60.07 | 22,831 | (310.81) |
| LAW ENFORCEMENT OFFICERS' PENSION SYSTEM | | | | | | |
| 2000 | \$ 140,034 | \$ 214,822 | \$ (74,788) | 65.19% | \$ 51,544 | (145.10)% |
| 1999 | 102,040 | 140,677 | (38,637) | 72.53 | 37,305 | (103.57) |
| 1998 | 83,430 | 115,534 | (32,104) | 72.21 | 30,512 | (105.22) |
| 1997 | 44,947 | 60,824 | (15,877) | 73.90 | 12,905 | (123.03) |
| 1996 | 15,333 | 54,583 | (39,250) | 28.09 | 11,646 | (337.03) |
| 1995 | 12,208 | 49,051 | (36,843) | 24.89 | 11,369 | (324.07) |
| 1994 | 9,458 | 44,487 | (35,029) | 21.26 | 10,177 | (344.20) |
| LOCAL FIRE AND POLICE SYSTEM | | | | | | |
| 2000 | \$ 10,099 | \$ 15,349 | \$ (5,250) | 65.80% | \$ 7,109 | (73.85)% |
| 1999 | 8,583 | 13,799 | (5,216) | 62.20 | 6,691 | (77.96) |
| 1998 | 7,114 | 12,358 | (5,244) | 57.57 | 6,288 | (83.40) |
| 1997 | 5,767 | 11,446 | (5,679) | 50.38 | 5,815 | (97.66) |
| 1996 | 4,611 | 8,875 | (4,264) | 51.95 | 4,430 | (96.25) |
| 1995 | 3,868 | 8,040 | (4,172) | 48.11 | 4,353 | (95.84) |
| 1994 | 3,139 | 7,226 | (4,087) | 43.44 | 4,066 | (100.52) |
| TOTAL OF ALL PLANS | | | | | | |
| 2000 | \$30,649,381 | \$30,279,867 | \$ 369,514 | 101.22% | \$6,796,240 | 5.44% |
| 1999 | 27,646,579 | 28,475,380 | (828,801) | 97.09 | 6,388,973 | (12.97) |
| 1998 | 24,850,355 | 27,416,935 | (2,566,580) | 90.64 | 6,140,273 | (41.80) |
| 1997 | 21,920,696 | 25,383,209 | (3,462,513) | 86.36 | 5,657,385 | (61.20) |
| 1996 | 19,455,280 | 24,241,358 | (4,786,078) | 80.26 | 5,640,834 | (84.85) |
| 1995 | 17,666,582 | 23,092,537 | (5,425,955) | 76.50 | 5,532,150 | (98.08) |
| 1994 | 16,272,577 | 21,875,463 | (5,602,886) | 74.39 | 5,246,249 | (106.80) |

(1) Covered payroll includes the payroll cost of those participants which the State pays the retirement contribution but does not pay the participants payroll cost.

(2) Percentage of (Unfunded AAL)/ excess assets over AAL as a percentage of covered payroll.

STATE OF MARYLAND

**Required Supplemental Schedule of Funding Progress for
Mass Transit Administration Pension Plan**

(Expressed in Thousands)

| Actuarial Valuation Date June 30 | Actuarial Value of Assets | Actuarial Accrued Liability Entry Age | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded AAL as a Percentage of Covered Payroll |
|---|---------------------------------|--|---|-----------------|--------------------|--|
| 2000 | \$71,566 | \$199,455 | \$127,889 | 35.9% | \$102,923 | 124.3% |
| 1999 | 60,829 | 181,064 (1) | 120,235 | 33.6 | 104,569 | 115.0 |
| 1998 | 51,208 | 167,330 | 116,122 | 30.6 | 98,814 | 117.5 |
| 1997 | 42,739 | 172,076 | 129,337 | 24.8 | 95,333 | 135.7 |
| 1996 | 34,568 | 141,381 | 106,813 | 24.5 | 95,550 | 111.8 |
| 1995 | 24,470 | 137,826 | 113,356 | 17.8 | 92,445 | 122.6 |
| 1994 | 17,572 | 126,351 | 108,779 | 13.9 | 88,491 | 122.9 |
| 1993 | 13,447 | 95,032 | 81,585 | 14.1 | 87,134 | 93.6 |
| 1992 | 8,891 | 92,718 | 83,827 | 9.6 | 80,700 | 103.9 |
| 1991 | 5,792 | 87,586 | 81,794 | 6.6 | 77,451 | 105.6 |

(1) Fiscal year 1999 has been restated to include changes pertaining to the 1999 Collective Bargaining Agreement.

**Required Supplemental Schedule of Employer Contributions for
Mass Transit Administration Pension Plan**

(Expressed in Thousands)

| Year Ended June, 30 | Annual Required Contribution | Percentage Contributed |
|---------------------------|------------------------------------|---------------------------|
| 2000 | \$13,721 | 100% |
| 1999 | 13,103 | 100 |
| 1998 | 13,902 | 100 |
| 1997 | 11,502 | 100 |
| 1996 | 11,918 | 100 |
| 1995 | 11,323 | 100 |
| 1994 | 8,452 | 100 |
| 1993 | 8,467 | 100 |
| 1992 | 7,327 | 100 |
| 1991 | 7,677 | 100 |



**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

STATE OF MARYLAND

Combining Balance Sheet

Special Revenue Funds

June 30, 2000

(Expressed in Thousands)

| | Maryland Department of Transportation | Maryland Transportation Authority | Total |
|---|---|---|------------------|
| Assets: | | | |
| Cash and cash equivalents..... | \$ 20,428 | \$ 70,336 | \$ 90,764 |
| Investments..... | | 225,770 | 225,770 |
| Taxes receivable, net | 74,931 | | 74,931 |
| Intergovernmental receivables..... | 130,148 | 370 | 130,518 |
| Other accounts receivable | 39,517 | 6,992 | 46,509 |
| Due from other funds | 183,753 | 10,916 | 194,669 |
| Loans and notes receivable, net..... | 11,843 | | 11,843 |
| Other assets..... | 34,945 | | 34,945 |
| Total assets | \$495,565 | \$314,384 | \$809,949 |
| Liabilities: | | | |
| Accounts payable and accrued liabilities..... | \$181,268 | \$ 10,911 | \$192,179 |
| Due to other funds..... | 29,435 | | 29,435 |
| Accounts payable to political subdivisions..... | 63,553 | | 63,553 |
| Deferred revenue..... | | 2,383 | 2,383 |
| Total liabilities..... | 274,256 | 13,294 | 287,550 |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances..... | 19,346 | 51,164 | 70,510 |
| Agency activities | 10,446 | 11,286 | 21,732 |
| Loans and notes receivable..... | 11,843 | | 11,843 |
| Unreserved: | | | |
| Undesignated | 179,674 | 238,640 | 418,314 |
| Total fund balances..... | 221,309 | 301,090 | 522,399 |
| Total liabilities and fund balances..... | \$495,565 | \$314,384 | \$809,949 |

STATE OF MARYLAND

**Combining Statement of Revenues,
Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances
Special Revenue Funds
for the year ended June 30, 2000**

(Expressed in Thousands)

| | Maryland Department of Transportation | Maryland Transportation Authority | Total |
|--|---|---|-------------------|
| Revenues: | | | |
| Motor vehicle taxes and fees | \$1,570,433 | | \$1,570,433 |
| Charges for services..... | 328,618 | \$151,047 | 479,665 |
| Interest and other investment income..... | 12,094 | 15,244 | 27,338 |
| Federal revenue | 498,490 | | 498,490 |
| Other | 13,548 | 9,185 | 22,733 |
| Total revenues | 2,423,183 | 175,476 | 2,598,659 |
| Expenditures: | | | |
| Current: | | | |
| Transportation..... | 898,858 | 108,473 | 1,007,331 |
| Intergovernmental..... | 513,391 | | 513,391 |
| Capital outlays | 913,127 | 32,797 | 945,924 |
| Total expenditures | 2,325,376 | 141,270 | 2,466,646 |
| Excess of revenues over expenditures | 97,807 | 34,206 | 132,013 |
| Other sources (uses) of financial resources: | | | |
| Capital leases..... | 34,754 | | 34,754 |
| Direct financing leases | | 20,000 | 20,000 |
| Proceeds from bonds | 75,494 | | 75,494 |
| Operating transfers in | 118,878 | 22,706 | 141,584 |
| Operating transfers out | (251,034) | (21,159) | (272,193) |
| Net other sources (uses) of financial resources | (21,908) | 21,547 | (361) |
| Excess sources of revenues over expenditures and net other uses of financial resources..... | 75,899 | 55,753 | 131,652 |
| Fund balances July 1, 1999..... | 145,410 | 245,337 | 390,747 |
| Fund balances June 30, 2000 | \$ 221,309 | \$301,090 | \$ 522,399 |

STATE OF MARYLAND

Combining Balance Sheet

Debt Service Funds

June 30, 2000

(Expressed in Thousands)

| | General Obligation Bonds | Transportation Bonds | Maryland Transportation Authority Bonds | Total |
|---|-----------------------------|-------------------------|---|------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 8,221 | \$3,500 | \$67,737 | \$ 79,458 |
| Cash with fiscal agent | 4,064 | 675 | | 4,739 |
| Investments | | 835 | 10,400 | 11,235 |
| Taxes receivable, net | 7,181 | | | 7,181 |
| Other accounts receivable | 163 | 8 | 505 | 676 |
| Loans and notes receivable, net | 21,096 | | | 21,096 |
| Loans to component units | 6,372 | | | 6,372 |
| Total assets | \$47,097 | \$5,018 | \$78,642 | \$130,757 |
| Liabilities: | | | | |
| Matured bonds and interest coupons payable | \$ 4,064 | \$ 675 | | \$ 4,739 |
| Total liabilities | 4,064 | 675 | | 4,739 |
| Fund Balance: | | | | |
| Reserved for: | | | | |
| Loans and notes receivable | 21,096 | | | 21,096 |
| Loans to component units | 6,372 | | | 6,372 |
| Unreserved: | | | | |
| Designated for: | | | | |
| General long-term obligation bond debt service | 15,565 | | | 15,565 |
| Transportation bond debt service | | 4,343 | | 4,343 |
| Maryland Transportation Authority bond debt service | | | \$78,642 | 78,642 |
| Total fund balances | 43,033 | 4,343 | 78,642 | 126,018 |
| Total liabilities and fund balances | \$47,097 | \$5,018 | \$78,642 | \$130,757 |

STATE OF MARYLAND

Combining Statement of Revenues,

Expenditures, Other Sources and Uses of

Financial Resources and Changes in Fund Balances

Debt Service Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | General Obligation Bonds | Transportation Bonds | Maryland Transportation Authority Bonds | Total |
|---|-----------------------------|-------------------------|---|-----------|
| Revenues: | | | | |
| Other taxes | \$252,937 | | | \$252,937 |
| Interest and other investment income..... | 1,306 | \$ 228 | \$ 1,292 | 2,826 |
| Other | 2,184 | | | 2,184 |
| Total revenues | 256,427 | 228 | 1,292 | 257,947 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal retirement | 276,362 | 99,915 | 29,770 | 406,047 |
| Interest | 182,802 | 36,429 | 15,609 | 234,840 |
| Total expenditures | 459,164 | 136,344 | 45,379 | 640,887 |
| Deficiency of revenues over expenditures | (202,737) | (136,116) | (44,087) | (382,940) |
| Other sources of financial resources : | | | | |
| Operating transfers in | 195,175 | 135,555 | 48,593 | 379,323 |
| Operating transfers out | (52) | | | (52) |
| Net other sources and uses of financial resources..... | 195,123 | 135,555 | 48,593 | 379,271 |
| Excess (deficiency) of revenues over expenditures and other sources of financial resources | (7,614) | (561) | 4,506 | (3,669) |
| Fund balances, July 1, 1999..... | 50,647 | 4,904 | 74,136 | 129,687 |
| Fund balances, June 30, 2000..... | \$ 43,033 | \$ 4,343 | \$78,642 | \$126,018 |

STATE OF MARYLAND

Combining Balance Sheet

Enterprise Funds

June 30, 2000

(Expressed in Thousands)

| | Economic Development | | Maryland State | State Use Industries | Total |
|--|-------------------------|--------------------|-------------------|-------------------------|--------------------|
| | Insurance Programs | Loan Programs | Lottery Agency | | |
| Assets: | | | | | |
| Cash and cash equivalents | | \$ 185,173 | \$ 1,200 | \$ 10 | \$ 186,383 |
| Investments..... | \$ 1,860 | 1,072,860 | 390,940 | | 1,465,660 |
| Other accounts receivable | 1 | 54,554 | 17,359 | 4,736 | 76,650 |
| Due from other funds | 97,756 | 147,813 | 51,331 | 7,230 | 304,130 |
| Inventories | | | | 6,427 | 6,427 |
| Loans and notes receivable, net | 4,808 | 2,583,389 | | | 2,588,197 |
| Property, plant and equipment, net..... | 11 | 12 | 4,115 | 4,552 | 8,690 |
| Other assets | 7,832 | 89,035 | 44 | 1,503 | 98,414 |
| Total assets | \$112,268 | \$4,132,836 | \$464,989 | \$24,458 | \$4,734,551 |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 857 | \$ 46,728 | \$ 3,429 | \$ 1,908 | \$ 52,922 |
| Due to other funds | | 924 | 38,338 | | 39,262 |
| Lottery prizes | | | 409,325 | | 409,325 |
| Accrued insurance and loan losses | 32,782 | 489 | | | 33,271 |
| Other liabilities | 794 | 57,784 | | | 58,578 |
| Deferred revenue | 3,245 | | 2,548 | 621 | 6,414 |
| Notes payable..... | | | 4,068 | | 4,068 |
| Revenue bonds payable | | 2,734,599 | | | 2,734,599 |
| Accrued self-insurance costs | 31 | 46 | 154 | 306 | 537 |
| Accrued annual leave | | 408 | 583 | 494 | 1,485 |
| Total liabilities | 37,709 | 2,840,978 | 458,445 | 3,329 | 3,340,461 |
| Capital: | | | | | |
| Contributed capital..... | 48,295 | 732,806 | | 874 | 781,975 |
| Retained earnings: | | | | | |
| Unreserved..... | 26,264 | 559,052 | 6,544 | 20,255 | 612,115 |
| Total capital | 74,559 | 1,291,858 | 6,544 | 21,129 | 1,394,090 |
| Total liabilities and capital | \$112,268 | \$4,132,836 | \$464,989 | \$24,458 | \$4,734,551 |

STATE OF MARYLAND

Combining Statement of Revenues, Expenses

and Changes in Retained Earnings

Enterprise Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | Economic Development | | Maryland State | State Use | |
|--|-------------------------|------------------|-------------------|------------|-------------|
| | Insurance Programs | Loan Programs | Lottery Agency | Industries | Total |
| Operating revenues: | | | | | |
| Lottery ticket sales..... | | | \$1,172,882 | | \$1,172,882 |
| Charges for services and sales | \$ 7,003 | \$ 3,877 | | \$39,284 | 50,164 |
| Interest and other investment income..... | 5,916 | 214,932 | | | 220,848 |
| Other | 34 | 6,284 | | | 6,318 |
| Total operating revenues | 12,953 | 225,093 | 1,172,882 | 39,284 | 1,450,212 |
| Operating expenses: | | | | | |
| Prizes and claims | | | 656,720 | | 656,720 |
| Commissions and bonuses..... | | | 68,626 | | 68,626 |
| Cost of sales and services | | | | 31,006 | 31,006 |
| Operation and maintenance of facilities | | 10,098 | | | 10,098 |
| General and administrative | 521 | 11,359 | 39,946 | 5,113 | 56,939 |
| Interest..... | | 152,830 | | | 152,830 |
| Depreciation and amortization | 11 | 1,058 | 723 | 1,174 | 2,966 |
| Provision for insurance and loan losses | 8,438 | 15,274 | | | 23,712 |
| Other | | 17,837 | | | 17,837 |
| Total operating expenses | 8,970 | 208,456 | 766,015 | 37,293 | 1,020,734 |
| Operating income | 3,983 | 16,637 | 406,867 | 1,991 | 429,478 |
| Non-operating revenues (expenses): | | | | | |
| Investment income | | 2,299 | | | 2,299 |
| Interest expense | | | (120) | | (120) |
| Other | | 17,469 | | 6 | 17,475 |
| Income before transfers..... | 3,983 | 36,405 | 406,747 | 1,997 | 449,132 |
| Operating transfers in | | 77,439 | | | 77,439 |
| Operating transfers out..... | (2,732) | (4,363) | (401,013) | | (408,108) |
| Net income | 1,251 | 109,481 | 5,734 | 1,997 | 118,463 |
| Add: Depreciation of assets acquired from contributed capital..... | | | | 249 | 249 |
| Increase in retained earnings..... | 1,251 | 109,481 | 5,734 | 2,246 | 118,712 |
| Retained earnings, July 1, 1999..... | 25,013 | 449,571 | 810 | 18,009 | 493,403 |
| Retained earnings, June 30, 2000..... | \$26,264 | \$559,052 | \$ 6,544 | \$20,255 | \$ 612,115 |

STATE OF MARYLAND
Combining Statement of Cash Flows
Enterprise Funds
for the year ended June 30, 2000
(Expressed in Thousands)

| | Economic Development | | Maryland State Lottery Agency | State Use Industries | Total |
|---|----------------------|---------------|-------------------------------|----------------------|-----------|
| | Insurance Programs | Loan Programs | | | |
| Cash flows from operating activities: | | | | | |
| Operating income..... | \$3,983 | \$ 16,637 | \$406,867 | \$1,991 | \$429,478 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization..... | 11 | 1,058 | 723 | 1,174 | 2,966 |
| Loss on disposal of property, plant and equipment..... | | 215 | | | 215 |
| Effect of changes in assets and liabilities: | | | | | |
| Other accounts receivable..... | | (9,788) | (3,146) | (1,654) | (14,588) |
| Due from other funds..... | 2,537 | (44,612) | (9,631) | 2,165 | (49,541) |
| Inventories..... | | | | (654) | (654) |
| Loans and notes receivable..... | 128 | (121,911) | | | (121,783) |
| Other assets..... | 1,049 | (10,521) | (3) | (765) | (10,240) |
| Accounts payable and accrued liabilities..... | 201 | 4,320 | (1,305) | (83) | 3,133 |
| Due to other funds..... | | (1,723) | 5,399 | | 3,676 |
| Accrued insurance on loan losses..... | (4,985) | (186) | | | (5,171) |
| Other liabilities..... | 7 | (1,092) | | | (1,085) |
| Deferred revenue..... | (244) | | 132 | (769) | (881) |
| Accrued self insurance costs..... | (2) | (8) | 13 | 1 | 4 |
| Accrued annual leave..... | | (17) | 66 | 61 | 110 |
| Lottery installment payments..... | | | (111,475) | | (111,475) |
| Future lottery prize installments..... | | | 52,645 | | 52,645 |
| Net cash provided (used) by operating activities..... | 2,685 | (167,628) | 340,285 | 1,467 | 176,809 |
| Cash flows from non-capital financing activities: | | | | | |
| Proceeds from the sale of revenue bonds..... | | 529,587 | | | 529,587 |
| Payment on revenue bonds..... | | (394,574) | | | (394,574) |
| Operating transfers in..... | | 77,439 | | | 77,439 |
| Operating transfers out..... | (2,732) | (4,363) | (401,013) | | (408,108) |
| Contributed capital..... | | 41,813 | | 141 | 41,954 |
| Grant recoveries..... | | 74 | | | 74 |
| Net cash (used) provided by non-capital financing activities..... | (2,732) | 249,976 | (401,013) | 141 | (153,628) |
| Cash flows from capital and related financing activities: | | | | | |
| Proceeds from notes payable and revenue bonds..... | | | 2,210 | | 2,210 |
| Principal paid on notes payable and revenue bonds..... | | | (1,032) | | (1,032) |
| Interest payments..... | | | (120) | | (120) |
| Acquisition and construction of property, plant and equipment..... | (2) | | (2,210) | (1,624) | (3,836) |
| Proceeds from sale of equipment..... | | | | 16 | 16 |
| Net cash used in capital and related financing activities..... | (2) | | (1,152) | (1,608) | (2,762) |
| Cash flows from investing activities: | | | | | |
| Purchase of investments..... | | (664,749) | (49,595) | | (714,344) |
| Proceeds from maturity and sale of investments..... | 49 | 556,846 | 111,475 | | 668,370 |
| Interest on investments..... | | 21,217 | | | 21,217 |
| Net cash (used) provided by investing activities..... | 49 | (86,686) | 61,880 | | (24,757) |
| Net decrease in cash and cash equivalents..... | | (4,338) | | | (4,338) |
| Cash and cash equivalents balance, July 1, 1999..... | | 189,511 | 1,200 | 10 | 190,721 |
| Cash and cash equivalents balance, June 30, 2000..... | \$ — | \$185,173 | \$ 1,200 | \$ 10 | \$186,383 |

Noncash transactions (amount in thousands):

Loan Programs -- Unrealized gain on investments \$4,137.

State Use Industries (Industries) -- The Industries acquired equipment totaling \$143 which was financed by contributed capital from the State.

STATE OF MARYLAND

Combining Balance Sheet

Fiduciary Fund Types

June 30, 2000

(Expressed in Thousands)

| | Expendable Trust Fund | | Investment Trust Fund | | Pension Trust Funds | | Agency Funds | | | | | Total |
|--|-----------------------------|----------------------------|----------------------------------|---|--|-------------------------------|-------------------------|--------------------|--|-----------------------------------|--------------|-------|
| | Unemployment Insurance Fund | Deferred Compensation Plan | Local Government Investment Pool | Retirement and Pension System of Maryland | Mass Transit Administration Pension Plan | Patient and Prisoner Accounts | Insurance Premium Taxes | Local Income Taxes | Local Transportation Funds and Other Taxes | Payroll Taxes and Fringe Benefits | | |
| | | December 31, 1999 | | | | | | | | | | |
| Assets: | | | | | | | | | | | | |
| Cash and cash equivalents..... | | \$ 4,576 | | \$ 1,862,211 | \$ 284 | \$5,449 | \$ 10 | | \$ 8,070 | \$(48,776) | \$ 1,831,824 | |
| Investments | | 1,590,112 | \$734,631 | 31,371,956 | 77,253 | | | | | | 33,773,952 | |
| Amount on deposit with U.S. Treasury | \$876,720 | | | | | | | \$ 193,189 | | | 876,720 | |
| Taxes receivable, net | | | | | | | | | | | 288,257 | |
| Other accounts receivable..... | | 7,788 | 1,364 | 739,472 | | | 3,216 | 74 | 45 | | 751,959 | |
| Due from other funds | | | | | 1,817 | | 32,976 | 1,001,765 | 15,783 | 68,000 | 1,120,341 | |
| Collateral for loaned securities | | | | 2,179,954 | | | | | | | 2,179,954 | |
| Total assets..... | \$971,788 | \$1,602,476 | \$735,995 | \$36,153,593 | \$79,354 | \$5,449 | \$36,202 | \$1,195,028 | \$23,898 | \$19,224 | \$40,823,007 | |
| Liabilities: | | | | | | | | | | | | |
| Accounts payable and accrued liabilities..... | \$ 22,699 | \$ 202 | \$ 34,724 | \$ 862,050 | \$ 899 | \$5,449 | \$36,202 | | \$ 8,115 | \$19,224 | \$989,564 | |
| Due to other funds..... | | | | 899 | | | | | | | 899 | |
| Accounts payable to political subdivisions | | | | | | | | \$1,195,028 | 15,783 | | 1,210,811 | |
| Collateral obligation for loaned securities..... | | | | 2,179,954 | | | | | | | 2,179,954 | |
| Total liabilities | 22,699 | 202 | 34,724 | 3,042,903 | 899 | 5,449 | 36,202 | 1,195,028 | 23,898 | 19,224 | 4,381,228 | |
| Fund balances: | | | | | | | | | | | | |
| Reserved for : | | | | | | | | | | | | |
| Pension benefits..... | | | | 33,110,690 | 78,455 | | | | | | 33,189,145 | |
| Deferred compensation benefits | | 1,602,274 | | | | | | | | | 1,602,274 | |
| Unemployment compensation benefits | 949,089 | | | | | | | | | | 949,089 | |
| Local Government Investment | | | | | | | | | | | | |
| Pool benefits | | | 701,271 | | | | | | | | 701,271 | |
| Total fund balances | 949,089 | 1,602,274 | 701,271 | 33,110,690 | 78,455 | | | | | | 36,441,779 | |
| Total liabilities and fund balances | \$971,788 | \$1,602,476 | \$735,995 | \$36,153,593 | \$79,354 | \$5,449 | \$36,202 | \$1,195,028 | \$23,898 | \$19,224 | \$40,823,007 | |

STATE OF MARYLAND

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Expendable Trust Funds**

for the year ended June 30, 2000

(Expressed in Thousands)

| | Unemployment Insurance Fund | Deferred Compensation Plan December 31, 1999 | Total |
|---|-----------------------------------|---|-------------|
| Revenues: | | | |
| Other taxes..... | \$369,597 | \$ | 369,597 |
| Interest and other investment income..... | | \$ 183,541 | 183,541 |
| Federal revenue..... | 466 | | 466 |
| Employee contributions..... | | 90,894 | 90,894 |
| Employer contributions..... | | 14,547 | 14,547 |
| Other..... | | 672 | 672 |
| Total revenues..... | 370,063 | 289,654 | 659,717 |
| Expenditures: | | | |
| Current: | | | |
| Benefit payments..... | | 69,543 | 69,543 |
| Business and economic development..... | 300,347 | | 300,347 |
| Total expenditures..... | 300,347 | 69,543 | 369,890 |
| Excess of revenues over expenditures..... | 69,716 | 220,111 | 289,827 |
| Fund balances, July 1, 1999..... | 879,373 | 1,337,476 | 2,216,849 |
| Net effect of accounting change..... | | 44,687 | 44,687 |
| Fund balances, June 30, 2000..... | \$949,089 | \$1,602,274 | \$2,551,363 |

STATE OF MARYLAND

**Combining Balance Sheet
Retirement and Pension System of Maryland
June 30, 2000**

(Expressed in Thousands)

| | Teachers' Retirement and Pension Systems | Employees' Retirement and Pension Systems | Judges' Retirement System | State Police Retirement System | Local Fire and Police System | Law Enforcement Officers' Pension System | Total |
|--|---|--|---------------------------------|--------------------------------------|------------------------------------|---|--------------|
| Assets: | | | | | | | |
| Cash and cash equivalents..... | \$ 1,141,457 | \$ 616,421 | \$ 23,330 | \$ 63,846 | \$ 1,716 | \$ 15,441 | \$ 1,862,211 |
| Investments..... | 18,796,975 | 10,888,818 | 209,121 | 1,337,269 | 8,868 | 130,905 | 31,371,956 |
| Other accounts receivable..... | 430,614 | 265,695 | 5,378 | 33,502 | 213 | 4,070 | 739,472 |
| Collateral for loaned securities..... | 1,285,485 | 750,363 | 26,881 | 102,579 | 1,749 | 12,897 | 2,179,954 |
| Total assets..... | \$21,654,531 | \$12,521,297 | \$264,710 | \$1,537,196 | \$12,546 | \$163,313 | \$36,153,593 |
| Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities..... | \$ 518,085 | \$ 295,705 | \$ 7,539 | \$ 36,380 | \$ 405 | \$ 3,936 | \$ 862,050 |
| Due to other funds..... | 530 | 314 | 7 | 43 | | 5 | 899 |
| Collateral obligation for loaned securities..... | 1,285,485 | 750,363 | 26,881 | 102,579 | 1,749 | 12,897 | 2,179,954 |
| Total liabilities..... | 1,804,100 | 1,046,382 | 34,427 | 139,002 | 2,154 | 16,838 | 3,042,903 |
| Fund balances: | | | | | | | |
| Reserved for : | | | | | | | |
| Pension benefits..... | 19,850,431 | 11,474,915 | 230,283 | 1,398,194 | 10,392 | 146,475 | 33,110,690 |
| Total liabilities and fund balances..... | \$21,654,531 | \$12,521,297 | \$264,710 | \$1,537,196 | \$12,546 | \$163,313 | \$36,153,593 |

STATE OF MARYLAND

Combining Statement of Changes in Plan Net Assets

Pension Trust Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | Retirement and Pension System of Maryland | | | | | | | Total |
|--|---|---|---------------------------|--------------------------------|------------------------------|--|--|--------------|
| | Teachers' Retirement and Pension Systems | Employees' Retirement and Pension Systems | Judges' Retirement System | State Police Retirement System | Local Fire and Police System | Law Enforcement Officers' Pension System | Mass Transit Administration Pension Plan | |
| Additions: | | | | | | | | |
| Contributions: | | | | | | | | |
| Employers..... | \$ 17,369 | \$ 219,653 | \$ 14,456 | \$ 1,075 | \$ 987 | \$ 10,543 | \$ 13,721 | \$ 277,804 |
| Members | 102,758 | 71,278 | 1,375 | 6,652 | 11 | 433 | | 182,507 |
| Sponsors | 418,065 | | 274 | | | | | 418,339 |
| Total Contributions..... | 538,192 | 290,931 | 16,105 | 7,727 | 998 | 10,976 | 13,721 | 878,650 |
| Investment income: | | | | | | | | |
| Net appreciation in fair value of investment | 1,635,740 | 986,540 | 18,001 | 138,122 | 598 | 11,905 | 3,142 | 2,794,048 |
| Interest..... | 379,245 | 209,360 | 5,279 | 19,386 | 336 | 2,231 | 6,774 | 622,611 |
| Dividends | 140,627 | 81,124 | 1,889 | 11,083 | 102 | 1,126 | | 235,951 |
| Real estate operating net income | 12,535 | 5,801 | 306 | 729 | 29 | 148 | | 19,548 |
| Total investment income | 2,168,147 | 1,282,825 | 25,475 | 169,320 | 1,065 | 15,410 | 9,916 | 3,672,158 |
| Less investment expense | 103,408 | 60,292 | 1,848 | 7,996 | 111 | 865 | | 174,520 |
| Net investment income | 2,064,739 | 1,222,533 | 23,627 | 161,324 | 954 | 14,545 | 9,916 | 3,497,638 |
| Total additions | 2,602,931 | 1,513,464 | 39,732 | 169,051 | 1,952 | 25,521 | 23,637 | 4,376,288 |
| Deductions: | | | | | | | | |
| Benefit payments..... | 731,409 | 400,353 | 14,507 | 40,226 | 313 | 4,146 | 9,924 | 1,200,878 |
| Refunds..... | 9,783 | 6,764 | 4 | 241 | | 13 | | 16,805 |
| Administrative expenses | 11,895 | 6,800 | 134 | 847 | 5 | 70 | 179 | 19,930 |
| Net transfers | 735 | 18,398 | 3 | (19) | 4 | (19,121) | | |
| Total deductions | 753,822 | 432,315 | 14,648 | 41,295 | 322 | (14,892) | 10,103 | 1,237,613 |
| Net increase in plan assets | 1,849,109 | 1,081,149 | 25,084 | 127,756 | 1,630 | 40,413 | 13,534 | 3,138,675 |
| Net assets held in trust for pension benefits: | | | | | | | | |
| July 1, 1999 | 18,001,322 | 10,393,766 | 205,199 | 1,270,438 | 8,762 | 106,062 | 64,921 | 30,050,470 |
| June 30, 2000 | \$19,850,431 | \$11,474,915 | \$230,283 | \$1,398,194 | \$10,392 | \$146,475 | \$78,455 | \$33,189,145 |

STATE OF MARYLAND

Combining Statement of Changes in Assets

and Liabilities - All Agency Funds

for the year ended June 30, 2000

(Expressed in Thousands)

| | Balance July 1, 1999 | Additions | Deletions | Balance June 30, 2000 |
|--|-------------------------|-------------|-------------|--------------------------|
| <u><i>Patient and Prisoner Accounts</i></u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 5,051 | \$ 16,161 | \$ 15,763 | \$ 5,449 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 5,051 | \$ 16,161 | \$ 15,763 | \$ 5,449 |
| <u><i>Insurance Premium Taxes</i></u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 10 | | | \$ 10 |
| Due from other funds | 27,388 | \$ 19,746 | \$ 14,158 | 32,976 |
| Other accounts receivable | | 3,216 | | 3,216 |
| Total assets | \$ 27,398 | \$ 22,962 | \$ 14,158 | \$ 36,202 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 27,398 | \$ 22,962 | \$ 14,158 | \$ 36,202 |
| <u><i>Local Income Taxes</i></u> | | | | |
| Assets: | | | | |
| Due from other funds | \$ 842,114 | \$2,739,343 | \$2,579,692 | \$1,001,765 |
| Taxes receivable | 181,594 | 11,595 | | 193,189 |
| Other accounts receivable | | 74 | | 74 |
| Total assets | \$1,023,708 | \$2,751,012 | \$2,579,692 | \$1,195,028 |
| Liabilities: | | | | |
| Accounts payable to political subdivisions | \$1,023,708 | \$2,751,012 | \$2,579,692 | \$1,195,028 |
| <u><i>Local Transportation Funds and Other Taxes</i></u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 10,765 | \$ 26,659 | \$ 29,354 | \$ 8,070 |
| Due from other funds | 13,164 | 52,093 | 49,474 | 15,783 |
| Other accounts receivable | 42 | 3 | | 45 |
| Total assets | \$ 23,971 | \$ 78,755 | \$ 78,828 | \$ 23,898 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 10,807 | \$ 26,662 | \$ 29,354 | \$ 8,115 |
| Accounts payable to political subdivisions | 13,164 | 52,093 | 49,474 | 15,783 |
| Total liabilities | \$ 23,971 | \$ 78,755 | \$ 78,828 | \$ 23,898 |
| <u><i>Payroll Taxes and Fringe Benefits</i></u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ (1,948) | \$ 601,488 | \$ 648,316 | \$ (48,776) |
| Due from other funds | 1,948 | 68,000 | 1,948 | 68,000 |
| Total assets | \$ — | \$ 669,488 | \$ 650,264 | \$ 19,224 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ — | \$ 669,488 | \$ 650,264 | \$ 19,224 |
| <u><i>Totals - All Agency Funds</i></u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 13,878 | \$ 644,308 | \$ 693,433 | \$ (35,247) |
| Taxes receivable | 181,594 | 11,595 | | 193,189 |
| Other accounts receivable | 42 | 3,293 | | 3,335 |
| Due from other funds | 884,614 | 2,879,182 | 2,645,272 | 1,118,524 |
| Total assets | \$1,080,128 | \$3,538,378 | \$3,338,705 | \$1,279,801 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 43,256 | \$ 735,273 | \$ 709,539 | \$ 68,990 |
| Accounts payable to political subdivisions | 1,036,872 | 2,803,105 | 2,629,166 | 1,210,811 |
| Total liabilities | \$1,080,128 | \$3,538,378 | \$3,338,705 | \$1,279,801 |

STATE OF MARYLAND

Combining Balance Sheet

Higher Education Component Unit Funds

June 30, 2000

(Expressed in Thousands)

| | Current Funds | | Loan Funds | Endowment | | Plant Funds | Total |
|--|------------------|------------------|-----------------|------------------|--------------------|--------------------|-------|
| | Unrestricted | Restricted | | Funds | | | |
| Assets: | | | | | | | |
| Cash and cash equivalents..... | \$ 5,907 | | \$ 5,187 | \$ 12,419 | \$ 56,492 | \$ 80,005 | |
| Investments..... | 7,677 | | | 205,472 | 1,288 | 214,437 | |
| Intergovernmental receivables..... | 3,499 | | | | | 3,499 | |
| Other accounts receivable, net of allowance of \$12,637..... | 49,986 | \$109,396 | 416 | 582 | 200 | 160,580 | |
| Due from primary government..... | 310,835 | 5,288 | | | 130,838 | 446,961 | |
| Inventories..... | 10,180 | | | | | 10,180 | |
| Loans and notes receivable, net of allowance of \$8,257..... | | 5,221 | 61,021 | | | 66,242 | |
| Property, plant and equipment, net..... | | | | | 3,684,144 | 3,684,144 | |
| Other assets..... | 62,197 | 1,258 | 26 | | 1,894 | 65,375 | |
| Total assets..... | \$450,281 | \$121,163 | \$66,650 | \$218,473 | \$3,874,856 | \$4,731,423 | |
| Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities..... | \$144,200 | \$ 73,793 | \$ 700 | \$ 758 | \$ 37,671 | \$ 257,122 | |
| Deferred revenue..... | 48,389 | | | | | 48,389 | |
| Revenue bonds and other debt..... | | | | | 698,938 | 698,938 | |
| Accrued self-insurance costs..... | 19,600 | | | | | 19,600 | |
| Accrued annual leave..... | 89,187 | 623 | | | | 89,810 | |
| Obligations under capital leases..... | | | | | 8,743 | 8,743 | |
| Total liabilities..... | 301,376 | 74,416 | 700 | 758 | 745,352 | 1,122,602 | |
| Fund balances: | | | | | | | |
| Investments in fixed assets..... | | | | | 2,981,396 | 2,981,396 | |
| Reserved for: | | | | | | | |
| Encumbrances..... | 12,940 | | | | | 12,940 | |
| Sponsored research..... | | 40,103 | | | | 40,103 | |
| Loans to students..... | | | 65,276 | | | 65,276 | |
| Endowment..... | | | | 215,936 | | 215,936 | |
| Debt and plant additions..... | | | | | 143,672 | 143,672 | |
| Unreserved, undesignated..... | 135,965 | 6,644 | 674 | 1,779 | 4,436 | 149,498 | |
| Total fund balances..... | 148,905 | 46,747 | 65,950 | 217,715 | 3,129,504 | 3,608,821 | |
| Total liabilities and fund balances..... | \$450,281 | \$121,163 | \$66,650 | \$218,473 | \$3,874,856 | \$4,731,423 | |

STATE OF MARYLAND

Schedule of Fixed Assets and Accumulated Depreciation

June 30, 2000

(Expressed in Thousands)

| | Land and Improvements | Structure and Improvements | Equipment | Construction in Progress | Total Cost | Accumulated Depreciation | Total Cost Less Accumulated Depreciation |
|--|--------------------------|----------------------------------|-------------|-----------------------------|---------------|-----------------------------|---|
| <i>Proprietary Fund Type (By Fund):</i> | | | | | | | |
| Economic Development - Insurance Programs..... | | | \$ 217 | | \$ 217 | \$ 206 | \$ 11 |
| Economic Development - Loan Programs | | | 22 | | 22 | 10 | 12 |
| Maryland State Lottery..... | | | 17,926 | | 17,926 | 13,811 | 4,115 |
| State Use Industries | | \$ 1,028 | 12,786 | | 13,814 | 9,262 | 4,552 |
| Total | \$ — | \$ 1,028 | \$ 30,951 | \$ — | \$ 31,979 | \$23,289 | \$ 8,690 |
| <i>General Fixed Assets (By Function):</i> | | | | | | | |
| General government..... | \$ 190,362 | \$ 745,318 | \$ 148,382 | \$ 31,282 | \$ 1,115,344 | | \$ 1,115,344 |
| Education..... | 3,938 | 67,929 | 56,699 | | 128,566 | | 128,566 |
| Business and economic development | | | 3,931 | | 3,931 | | 3,931 |
| Labor, licensing and regulation | 2,693 | 9,012 | 37,755 | | 49,460 | | 49,460 |
| Human resources..... | | | 67,158 | | 67,158 | | 67,158 |
| Health and mental hygiene | 18,562 | 287,967 | 61,012 | 3,057 | 370,598 | | 370,598 |
| Environment | | | 20,417 | | 20,417 | | 20,417 |
| Transportation..... | 849,025 | 4,590,151 | 1,151,065 | 276,112 | 6,866,353 | | 6,866,353 |
| Public safety and judicial | 80,820 | 956,315 | 267,800 | 51,789 | 1,356,724 | | 1,356,724 |
| Housing and community development | 2,475 | 9,879 | 6,189 | 155 | 18,698 | | 18,698 |
| Natural resources and recreation | 367,703 | 83,582 | 57,804 | 3,881 | 512,970 | | 512,970 |
| Agriculture | 66 | 28,127 | 12,754 | | 40,947 | | 40,947 |
| Total | \$1,515,644 | \$6,778,280 | \$1,890,966 | \$366,276 | \$10,551,166 | \$ — | \$10,551,166 |
| <i>Component Units Fixed Assets:</i> | | | | | | | |
| Higher Education Fund..... | \$ 67,010 | \$2,651,968 | \$ 670,522 | \$294,644 | \$ 3,684,144 | | \$ 3,684,144 |
| Proprietary Fund | 4,664 | 48,641 | 14,672 | 1,566 | 69,543 | \$44,062 | 25,481 |
| Total | \$ 71,674 | \$2,700,609 | \$ 685,194 | \$296,210 | \$ 3,753,687 | \$44,062 | \$ 3,709,625 |

STATE OF MARYLAND

Schedule of Changes in General Fixed Assets by Function

for the year ended June 30, 2000

(Expressed in Thousands)

| | Balance July 1, 1999 | Additions | Deletions | Transfer In (Out) | Balance June 30, 2000 |
|---|-------------------------|-----------|-----------|----------------------|--------------------------|
| Function: | | | | | |
| General government | \$ 1,120,936 | \$ 13,689 | \$ 19,299 | \$ 18 | \$ 1,115,344 |
| Education | 119,149 | 11,279 | 1,862 | | 128,566 |
| Business and economic development | 3,328 | 830 | 227 | | 3,931 |
| Labor, licensing and regulation | 47,855 | 2,074 | 469 | | 49,460 |
| Human resources | 54,757 | 15,973 | 3,572 | | 67,158 |
| Health and mental hygiene | 388,864 | 15,738 | 34,004 | | 370,598 |
| Environment..... | 23,083 | 2,344 | 5,010 | | 20,417 |
| Transportation | 6,706,431 | 258,298 | 98,358 | (18) | 6,866,353 |
| Public safety and judicial | 1,310,106 | 65,476 | 18,858 | | 1,356,724 |
| Housing and community development | 29,833 | 610 | 11,745 | | 18,698 |
| Natural resources and recreation | 489,621 | 58,391 | 35,042 | | 512,970 |
| Agriculture..... | 40,039 | 1,159 | 251 | | 40,947 |
| Total | \$10,334,002 | \$445,861 | \$228,697 | \$ — | \$10,551,166 |

STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source
Budgetary Basis

for the year ended June 30, 2000
(Expressed in Thousands)

| | Annual Budgeted Funds | | | | | | | | | | | |
|---|------------------------|-----------------|-------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|-----------------------|-----------------|--------------|
| | Higher Education Funds | | | | | | | | | | | |
| | General Fund | | | Special Fund | | Federal Fund | | Current | | Capital Projects Fund | | Total |
| | Estimated Revenues | Actual Revenues | | Estimated Revenues | Actual Revenues | Estimated Revenues | Actual Revenues | Estimated Revenues | Actual Revenues | Estimated Revenues | Actual Revenues | |
| Taxes: | | | | | | | | | | | | |
| Property tax | \$ 157,981 | \$ 632 | \$ 354,934 | \$ 294,425 | | | | | | \$ 76,995 | \$ 1,449 | \$ 373,501 |
| Franchise and corporation tax | 152,024 | 166,608 | | | | | | | | | | 166,608 |
| Death taxes | | 157,039 | | 109 | | | | | | | 505 | 157,039 |
| Recordation tax | | | | 1,253 | | | | | | | 6,536 | 614 |
| Admission and amusement tax | | | | | | | | | | | | 7,789 |
| Alcoholic beverages tax | 24,050 | 24,399 | | | | | | | | | | 24,399 |
| Motor vehicle fuel taxes | 10,947 | 11,275 | | 617,032 | 640,584 | | | | | | | 651,859 |
| Income taxes | 4,982,762 | 5,065,796 | | 100,250 | 100,598 | | | | | | | 5,166,394 |
| Sales and use taxes | 2,446,815 | 2,478,539 | | 16,400 | 18,991 | | | | | | | 2,497,530 |
| Tobacco taxes | 213,982 | 210,009 | | 26 | 14 | | | | | | | 210,023 |
| Motor vehicle titling taxes | | | | 540,600 | 604,482 | | | | | | | 604,482 |
| Insurance company taxes | 184,193 | 172,491 | | | | | | | | | | 172,491 |
| Horse racing taxes | | | | 2,029 | 2,070 | | | | | | | 2,070 |
| Shellfish taxes | | | | | 457 | | | | | | | 457 |
| Boxing, wrestling or sparring taxes | | | | 15 | 16 | | | | | | | 16 |
| Boat titling tax | | | | 2,229 | 23,201 | | | | | | | 23,201 |
| Energy generation tax | | | | 5,256 | 8,569 | | | | | | | 8,569 |
| Emergency telephone system tax | | | | 31,903 | 38,034 | | | | | | | 38,034 |
| Unemployment insurance taxes | | | | | | | | | | | | 369,597 |
| Total taxes | 8,172,754 | 8,286,788 | 1,671,844 | 1,732,803 | | | | | | 76,995 | 378,087 | 10,474,673 |
| Other: | | | | | | | | | | | | |
| Licenses and permits | 37,827 | 36,652 | 271,260 | 294,959 | | | | | | | | 331,611 |
| Fees for services | 106,931 | 95,583 | 461,421 | 328,353 | | | | | | | 295,706 | 719,642 |
| Fines and costs | 73,039 | 98,897 | 130,277 | 167,716 | | | | | | | 2,998 | 269,611 |
| Sales to the public | 6,973 | 12,248 | 69,482 | 72,286 | | | | | | | 1,173,074 | 1,257,608 |
| Commissions and royalties | 23 | 42 | 73,255 | 85,451 | | | | | | | 376 | 85,869 |
| Rentals | 22 | 1,456 | 65,398 | 54,379 | | | | | | | 13,727 | 69,562 |
| Interest on investments | 105,100 | 168,051 | 11,714 | 31,914 | | | | | | 5,313 | 4,031,987 | 4,237,265 |
| Interest on loan repayments | | | 6,545 | 7,659 | | | | | | | 8,581 | 16,240 |
| Miscellaneous | 70,769 | 49,852 | 40,263 | 65,907 | | | | | | | | 118,886 |
| Colleges and universities | | | | | | | | | | | | 234,645 |
| Federal reimbursements and grants | 1,993 | 2,663 | 43,000 | 47,230 | | | | | | | 408,522 | 2,142,635 |
| Other reimbursements | 128,701 | 128,287 | 251,759 | 149,754 | | | | | | | 10,186 | 3,818,094 |
| Bond issues: | | | | | | | | | | | 71,948 | 349,989 |
| State - general purpose | | | | 241 | | | | | | | | 125,241 |
| Consolidated transportation bonds | | | 75,394 | 75,380 | | | | | | 125,000 | 647 | 76,027 |
| State reimbursements | 370,315 | 511,111 | 243,525 | 166,969 | | | | | | 230,062 | (415,254) | 492,888 |
| Appropriated from general fund | | | | | | | | | | | 803,768 | 803,768 |
| Trust funds | | | 17,386 | 11,386 | | | | | | | | 11,386 |
| Revolving accounts | | 3,130 | 20,693 | 14,833 | | | | | | | 1,546 | 19,509 |
| Contributions | | | | | | | | | | | 984,091 | 984,091 |
| Total revenues | \$9,074,447 | \$9,394,760 | \$3,453,216 | \$3,307,220 | \$4,134,666 | \$3,758,015 | \$1,976,430 | \$1,977,954 | \$606,790 | \$559,927 | \$7,085,108 | \$26,520,354 |

STATE OF MARYLAND

Schedule of Budget and Actual Expenditures and Encumbrances by Major Function

Budgetary Basis

for the year ended June 30, 2000

(Expressed in Thousands)

| Expenditures and Encumbrances by Major Function | Annual Budgeted Funds | | | | | | | | | | | | |
|--|-----------------------|-------------|-------------|-----------------|-------------|-----------------|-------------|------------------------|-----------------|-----------------|-----------|-----------------------------|--------------|
| | General Fund | | | Special Fund | | Federal Fund | | Higher Education Funds | | | | Capital Projects Fund | |
| | Final Budget | Actual | \$ | Final Budget | Actual | Final Budget | Actual | Current | | Final Budget | Actual | Other Funds | Total |
| | | | | | | | | Unrestricted Fund | Restricted Fund | | | | |
| Payments of revenue to civil divisions of the State | \$ 73,857 | \$ 73,857 | \$ 1,341 | \$ 1,341 | \$ 1,341 | | | | | | | \$ | 75,198 |
| Public debt | 95,223 | 95,194 | | 271,945 | 269,887 | | | | | | | | 365,081 |
| Legislative | 50,465 | 50,465 | | | | | | | | | | | 50,465 |
| Judicial review and legal | 292,698 | 292,245 | | 24,949 | 22,643 | \$ 3,183 | \$ 2,949 | | | | | \$ 13,234 | 331,071 |
| Executive and administrative control | 325,296 | 324,665 | | 70,814 | 68,429 | 89,884 | 68,136 | | | | | 30,858 | 492,088 |
| Financial and revenue administration | 162,863 | 162,635 | | 56,920 | 55,173 | | | | | | | 724,431 | 942,239 |
| Budget and management | 79,932 | 77,557 | | 27,869 | 25,164 | | | | | | | | 102,721 |
| Retirement and pension | | | | 26,946 | 26,787 | | | | | | | | |
| General services | 40,201 | 40,201 | | 2,734 | 2,048 | | | | | | | 1,460,718 | 1,487,505 |
| Transportation and highways | | | | 1,993,554 | 1,962,690 | 491,491 | 472,515 | | | | | (7,251) | 34,998 |
| Natural resources and recreation | 67,077 | 66,875 | | 142,139 | 140,575 | 26,884 | 23,858 | | | | | 333,453 | 2,768,658 |
| Agriculture | 29,838 | 29,838 | | 38,713 | 37,796 | 2,889 | 2,630 | | | | | 163 | 231,471 |
| Health, hospitals and mental hygiene | 2,109,232 | 2,109,170 | | 200,934 | 198,031 | 1,679,822 | 1,635,909 | | | | | 1,839 | 72,103 |
| Human resources | 463,006 | 462,905 | | 52,925 | 49,362 | 949,713 | 791,647 | | | | | 156,103 | 4,099,213 |
| Labor, licensing and regulation | 22,724 | 22,632 | | 16,651 | 14,394 | 149,750 | 127,260 | | | | | 11,604 | 1,315,518 |
| Public safety and correctional services | 673,672 | 673,192 | | 116,992 | 114,543 | 24,505 | 21,198 | | | | | | 164,286 |
| Public education | 3,936,782 | 3,934,418 | | 40,245 | 34,662 | 623,673 | 549,448 | \$1,976,430 | \$1,922,907 | \$606,790 | \$556,390 | (1,367) | 807,566 |
| Housing and community development | 31,228 | 31,227 | | 45,960 | 43,591 | 49,472 | 45,585 | | | | | 298,626 | 7,296,451 |
| Business and economic development | 73,185 | 73,185 | | 69,144 | 63,171 | 622 | 406 | | | | | 84,594 | 204,997 |
| Environment | 42,134 | 42,067 | | 199,993 | 197,915 | 23,862 | 20,594 | | | | | 315,569 | 452,331 |
| Juvenile services | 129,937 | 129,933 | | 835 | 712 | 17,747 | 16,677 | | | | | 7,509 | 268,085 |
| State police | 203,971 | 203,967 | | 51,613 | 50,560 | 1,169 | 891 | | | | | 695 | 148,017 |
| State reserve fund | 135,297 | 135,297 | | | | | | | | | | 818 | 256,236 |
| Loan accounts | | | | | | | | | | | | | 135,297 |
| Reversions: | | | | | | | | | | | | \$566,055 | 566,055 |
| Current year reversions | (25,000) | | | | | | | | | | | | |
| Prior year reversions | | | | | | | | (843) | | | (158) | | (72,459) |
| Total expenditures and encumbrances | \$9,013,618 | \$9,022,164 | \$3,453,216 | \$3,367,015 | \$4,134,666 | \$3,730,065 | \$1,976,430 | \$1,922,064 | | \$606,790 | \$556,232 | \$3,431,596 | \$22,595,191 |

STATE OF MARYLAND

Schedule of Changes in Fund Equities - Budgetary Basis

for the year ended June 30, 2000

(Expressed in Thousands)

| | General Fund | Special Fund | | Federal Fund | Higher Education | | Capital Projects Fund | Other Funds | Total |
|--|-----------------|------------------|-----------------|-----------------|---------------------------------|-------------------------------|-----------------------------|----------------|--------------|
| | | Other Special | Debt Service | | Current Unrestricted Fund | Current Restricted Fund | | | |
| Fund equities, July 1, 1999 | \$1,514,461 | \$ 697,606 | \$ 50,647 | | \$ 271,568 | \$ (1,835) | \$518,641 | \$37,721,081 | \$40,772,169 |
| Cumulative effect of reporting change | | | | | | | | 44,687 | 44,687 |
| Increase: | | | | | | | | | |
| Revenues | 9,394,760 | 3,045,649 | 261,571 | \$3,758,015 | 1,977,954 | 559,927 | 437,370 | 7,085,108 | 26,520,354 |
| Decrease: | | | | | | | | | |
| Appropriations | 9,038,618 | 3,181,271 | 271,945 | 4,134,666 | 1,976,430 | 606,790 | | | |
| Less: Current year reversions | (7,093) | (71,683) | (2,059) | (354,963) | (53,523) | (50,400) | | | |
| Prior year reversions | (9,361) | (12,459) | | (49,638) | (843) | (158) | | | |
| Expenditures and encumbrances | 9,022,164 | 3,097,129 | 269,886 | 3,730,065 | 1,922,064 | 556,232 | 566,055 | 3,431,596 | 22,595,191 |
| Changes to encumbrances during fiscal year 2000 | 34,554 | (160,921) | | 39,055 | (909) | (94) | | | (88,315) |
| Expenditures | 9,056,718 | 2,936,208 | 269,886 | 3,769,120 | 1,921,155 | 556,138 | 566,055 | 3,431,596 | 22,506,876 |
| Transfers (out) in | (62,803) | 62,097 | 701 | 11,105 | 194 | (198) | (13,798) | 2,702 | |
| Changes in contributed capital | | | | | | | | 41,684 | 41,684 |
| Fund equities, June 30, 2000 | \$1,789,700 | \$ 869,144 | \$ 43,033 | \$ — | \$ 328,561 | \$ 1,756 | \$376,158 | \$41,463,666 | \$44,872,018 |
| Invested in fixed assets | | | | | | | | \$ 2,981,396 | \$ 2,981,396 |
| Contributed capital | | | | | | | | 808,525 | 808,525 |
| Retained earnings: | | | | | | | | | |
| Reserved | | | | | | | | 10,191 | 10,191 |
| Unreserved | | | | | | | | 855,816 | 855,816 |
| Fund Balance: | | | | | | | | | |
| Reserved: | | | | | | | | | |
| Encumbrances | \$ 155,678 | \$ 378,900 | | \$ 175,735 | \$ 3,989 | \$274 | \$331,355 | 8,677 | 1,054,608 |
| Agency activities | | | | | | | | 114,913 | 114,913 |
| State reserve fund | 697,805 | | | | | | | | 697,805 |
| Loans and notes receivable | | 14,780 | \$ 27,468 | | | | | | 42,248 |
| Shore erosion loan programs | | 11,954 | | | | | | | 11,954 |
| Loans to students | | | | | | | | 65,276 | 65,276 |
| Endowment funds | | | | | | | | 215,936 | 215,936 |
| Debt and plant additions | | | | | | | | 143,672 | 143,672 |
| Pension benefits | | | | | | | | 33,189,145 | 33,189,145 |
| Deferred compensation benefits | | | | | | | | 1,602,274 | 1,602,274 |
| Unemployment compensation benefits | | | | | | | | 949,089 | 949,089 |
| Local government investment pool benefits | | | | | | | | 701,271 | 701,271 |
| Unreserved: | | | | | | | | | |
| Designated for: | | | | | | | | | |
| General long-term debt service | | | 15,565 | | | | | | 15,565 |
| Transportation debt service | | | | | | | | 4,343 | 4,343 |
| Maryland Transportation Authority bond debt service | | | | | | | | 78,642 | 78,642 |
| 2001 Operations | 784,457 | | | | | | | | 784,457 |
| Undesignated surplus (deficit) | 151,760 | 463,510 | | (175,735) | 324,572 | 1,482 | 44,803 | (265,500) | 544,892 |
| Total | \$1,789,700 | \$ 869,144 | \$ 43,033 | \$ — | \$ 328,561 | \$ 1,756 | \$376,158 | \$41,463,666 | \$44,872,018 |

STATE OF MARYLAND
Schedule of Funds Transferred to Political Subdivisions
for the year ended June 30, 2000 (1)
(Expressed in Thousands)

| Subdivision (2) | State Sources | | | | Other Sources | | | Assessed Value of Real and Personal Property (2) | Amount Per \$100 of Assessed Value |
|-----------------------|-----------------|----------------------------------|--------------|-------------|---------------|----------------------------------|-------------|--|------------------------------------|
| | Shared Revenues | Direct Grants and Appropriations | Debt Service | Total | Federal Funds | State Administered Local Revenue | Total | | |
| Allegany..... | \$ 4,013 | \$ 68,434 | \$ 4,385 | \$ 76,832 | \$ 15,759 | \$ 17,685 | \$ 110,276 | \$ 1,556,355 | \$7.09 |
| Anne Arundel..... | 22,859 | 264,470 | 6,162 | 293,491 | 36,129 | 274,672 | 604,292 | 14,589,163 | 4.14 |
| Baltimore County..... | 34,137 | 427,546 | 11,026 | 472,709 | 72,342 | 445,979 | 991,030 | 18,450,831 | 5.37 |
| Calvert..... | 4,191 | 53,217 | 2,419 | 59,827 | 6,749 | 35,783 | 102,359 | 3,013,170 | 3.40 |
| Caroline..... | 3,268 | 36,541 | 1,568 | 41,377 | 7,977 | 8,447 | 57,801 | 525,755 | 10.99 |
| Carroll..... | 8,827 | 105,114 | 4,177 | 118,118 | 11,356 | 71,021 | 200,495 | 3,793,975 | 5.28 |
| Cecil..... | 4,878 | 69,646 | 2,192 | 76,716 | 10,964 | 30,353 | 118,033 | 1,952,546 | 6.05 |
| Charles..... | 6,693 | 95,749 | 3,323 | 105,765 | 13,676 | 54,284 | 173,725 | 3,345,258 | 5.19 |
| Dorchester..... | 3,417 | 27,556 | 862 | 31,835 | 7,595 | 8,715 | 48,145 | 685,401 | 7.02 |
| Frederick..... | 10,427 | 139,980 | 10,134 | 160,541 | 15,867 | 89,397 | 265,805 | 5,026,375 | 5.29 |
| Garrett..... | 4,215 | 30,373 | 539 | 35,127 | 5,962 | 8,073 | 49,162 | 823,098 | 5.97 |
| Harford..... | 10,769 | 152,802 | 8,804 | 172,375 | 17,934 | 97,377 | 287,686 | 5,261,703 | 5.47 |
| Howard..... | 12,227 | 126,410 | 358 | 138,995 | 12,377 | 162,668 | 314,040 | 8,245,450 | 3.81 |
| Kent..... | 1,791 | 13,282 | 281 | 15,354 | 3,783 | 7,223 | 26,360 | 548,268 | 4.81 |
| Montgomery..... | 29,845 | 362,536 | 21,799 | 414,180 | 59,683 | 800,048 | 1,273,911 | 32,719,000 | 3.89 |
| Prince George's..... | 22,894 | 599,603 | 22,154 | 644,651 | 94,542 | 313,207 | 1,052,400 | 17,791,021 | 5.92 |
| Queen Anne's..... | 4,030 | 28,446 | 437 | 32,913 | 3,971 | 21,904 | 58,788 | 1,221,512 | 4.81 |
| St. Mary's..... | 5,516 | 61,817 | 5,543 | 72,876 | 10,171 | 36,760 | 119,807 | 2,053,668 | 5.83 |
| Somerset..... | 2,368 | 23,411 | 899 | 26,678 | 5,758 | 4,655 | 37,091 | 321,666 | 11.53 |
| Talbot..... | 2,635 | 12,699 | 746 | 16,080 | 4,091 | 15,231 | 35,402 | 1,373,723 | 2.58 |
| Washington..... | 6,894 | 95,149 | 3,348 | 105,391 | 17,789 | 43,688 | 166,868 | 2,760,173 | 6.05 |
| Wicomico..... | 5,639 | 71,093 | 3,296 | 80,028 | 14,916 | 30,076 | 125,020 | 1,741,534 | 7.18 |
| Worcester..... | 39,071 | 19,479 | 2,704 | 61,254 | 8,065 | 11,609 | 80,928 | 2,585,892 | 3.13 |
| Baltimore City..... | 167,769 | 977,318 | 13,683 | 1,158,770 | 299,978 | 165,961 | 1,624,709 | 8,579,715 | 18.94 |
| Total..... | \$418,373 | \$3,862,671 | \$130,839 | \$4,411,883 | \$757,434 | \$2,754,816 | \$7,924,133 | \$138,965,252 | |

- (1) In addition to the amounts shown for counties and Baltimore City, \$139,630,000 was distributed to municipalities within the counties.
(2) Source: Fifty-sixth Report of the Department of Assessments and Taxation, dated January 2000. Amounts shown are the local subdivision's assessable base only.

STATE OF MARYLAND
Schedule of Taxes Receivable from
Collectors of State Property Taxes
June 30, 2000
(Expressed in Thousands)

| Political Subdivision | Taxes Receivable | | |
|-----------------------|------------------|-------------|---------|
| | Current Year | Prior Years | Total |
| Allegany..... | \$ 138 | \$ 59 | \$ 197 |
| Anne Arundel..... | 542 | 257 | 799 |
| Baltimore County..... | 212 | 88 | 300 |
| Calvert..... | 150 | 9 | 159 |
| Caroline..... | 12 | 1 | 13 |
| Carroll..... | 59 | 6 | 65 |
| Cecil..... | 44 | 182 | 226 |
| Charles..... | 27 | 16 | 43 |
| Dorchester..... | 111 | 25 | 136 |
| Frederick..... | 26 | 7 | 33 |
| Garrett..... | 120 | 11 | 131 |
| Harford..... | 261 | 8 | 269 |
| Howard..... | 43 | 692 | 735 |
| Kent..... | 61 | 3 | 64 |
| Montgomery..... | 432 | 517 | 949 |
| Prince George's..... | 201 | 116 | 317 |
| Queen Anne's..... | 8 | 4 | 12 |
| St. Mary's..... | 137 | 4 | 141 |
| Somerset..... | 72 | 1 | 73 |
| Talbot..... | 16 | 17 | 33 |
| Washington..... | 21 | (16) | 5 |
| Wicomico..... | 26 | 3 | 29 |
| Worcester..... | 189 | 13 | 202 |
| Baltimore City..... | 1,134 | 1,116 | 2,250 |
| Total..... | \$4,042 | \$3,139 | \$7,181 |

STATE OF MARYLAND

Schedule of Estimated Revenues - Budgetary Basis for the year ending June 30, 2001

(Expressed in Thousands)

| | General Fund | Special Fund | Federal Fund | Current Unrestricted Fund | Current Restricted Fund | Total |
|--|-----------------|-----------------|-----------------|---------------------------------|-------------------------------|------------------|
| Income taxes | \$5,203,366 | \$ 105,881 | | | \$ | 5,309,247 |
| Retail sales and use tax and licenses | 2,589,070 | 17,400 | | | | 2,606,470 |
| Motor vehicle fuel taxes and licenses | 11,344 | 655,135 | | | | 666,479 |
| Motor vehicle tax and licenses | 9,601 | 728,392 | | | | 737,993 |
| Property taxes | | 354,527 (1) | | | | 354,527 |
| Insurance company taxes, licenses and fees | 191,173 | | | | | 191,173 |
| Franchise and corporation taxes | 176,255 | | | | | 176,255 |
| State tobacco tax and licenses | 195,533 | | | | | 195,533 |
| Alcoholic beverages taxes and licenses | 24,692 | | | | | 24,692 |
| Death taxes | 119,095 | | | | | 119,095 |
| Miscellaneous taxes, fees and other revenues | 87,993 | 11,867 (2) | | | | 99,860 |
| Horse racing taxes and licenses | | 1,331 | | | | 1,331 |
| District courts fines and costs | 74,900 | | | | | 74,900 |
| Interest on investments | 88,597 | 5,000 | | | | 93,597 |
| Hospital patient recoveries | 63,483 | | | | | 63,483 |
| Legislative | 255 | | | | | 255 |
| Judicial review and legal | 74,778 | 14,879 | \$ 3,422 | | | 93,079 |
| Executive and administrative control | 1,704 | 67,453 | 83,249 | | | 152,406 |
| Financial and revenue administration | | 12,981 | | | | 12,981 |
| Budget and management | 1,030 | 16,434 | | | | 17,464 |
| State lottery agency | 371,823 | 46,116 | | | | 417,939 |
| Retirement and pension | | 22,917 | | | | 22,917 |
| General services | 37 | 2,037 | | | | 2,074 |
| Transportation and highways | | 525,080 | 702,335 | | | 1,227,415 |
| Natural resources and recreation | | 63,966 | 26,228 | | | 90,194 |
| Agriculture | 271 | 23,232 | 1,570 | | | 25,073 |
| Health, hospitals and mental hygiene | 7,389 | 186,996 | 1,716,348 | | | 1,910,733 |
| Human resources | 1,993 | 62,762 | 895,277 | | | 960,032 |
| Labor, licensing and regulation | 11,518 | 2,588 | 154,907 | | | 169,013 |
| Public safety and correctional services | 7,311 | 98,341 | 9,787 | | | 115,439 |
| Public education | 9,861 | 121,956 | 600,452 | \$2,056,751 | \$600,305 | 3,389,325 |
| Housing and community development | 318 | 37,554 | 49,795 | | | 87,667 |
| Business and economic development | | 41,488 | 499 | | | 41,987 |
| Environment | 375 | 100,645 | 20,405 | | | 121,425 |
| Juvenile justice | 315 | 131 | 13,062 | | | 13,508 |
| State police | 1,325 | 53,897 | 742 | | | 55,964 |
| Total estimated revenues | \$9,325,405 | \$3,380,986 | \$4,278,078 | \$2,056,751 | \$600,305 | \$19,641,525 (3) |

(1) Includes \$254,544,000 recorded in the Debt Service Fund for accounting purposes.

(2) Includes \$11,867,000 recorded in the Debt Service Fund for accounting purposes.

(3) Amounts are reported at July 1, 2000, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND

**Schedule of General, Special, Federal, Current Unrestricted
and Current Restricted Fund Appropriations - Budgetary Basis
for the year ending June 30, 2001**

(Expressed in Thousands)

| Functions | General Fund | Special Fund | Federal Fund | Current Unrestricted Fund | Current Restricted Fund | Total |
|--|---------------------|--------------------|--------------------|---------------------------------|-------------------------------|-------------------------|
| Payments of revenue to civil divisions of the State..... | \$ 100,447 | \$ 1,331 | | | \$ | 101,778 |
| Public debt..... | 106,015 | 266,411 | (1) | | | 372,426 |
| Legislative..... | 52,769 | | | | | 52,769 |
| Judicial review and legal..... | 316,780 | 14,879 | \$ 3,422 | | | 335,081 |
| Executive and administrative control..... | 609,608 | 67,453 | 83,249 | | | 760,310 |
| Financial and revenue administration..... | 167,570 | 59,096 | | | | 226,666 |
| Budget and management..... | 88,610 | 16,434 | | | | 105,044 |
| Retirement and pension..... | | 22,917 | | | | 22,917 |
| General services..... | 48,526 | 2,037 | | | | 50,563 |
| Transportation and highways..... | | 2,036,888 | 702,335 | | | 2,739,223 |
| Natural resources and recreation..... | 65,770 | 146,519 | 26,228 | | | 238,517 |
| Agriculture..... | 31,986 | 39,663 | 1,570 | | | 73,219 |
| Health, hospitals and mental hygiene..... | 2,331,665 | 186,996 | 1,716,348 | | | 4,235,009 |
| Human resources..... | 452,295 | 62,762 | 895,277 | | | 1,410,334 |
| Labor, licensing and regulation..... | 24,096 | 2,588 | 154,907 | | | 181,591 |
| Public safety and correctional services..... | 711,722 | 98,341 | 9,787 | | | 819,850 |
| Public education..... | 4,141,917 | 121,956 | 600,452 | \$2,056,751 | \$600,305 | 7,521,381 |
| Housing and community development..... | 39,933 | 38,554 | 49,795 | | | 128,282 |
| Business and economic development..... | 87,499 | 41,488 | 499 | | | 129,486 |
| Environment..... | 45,117 | 100,645 | 20,405 | | | 166,167 |
| Juvenile justice..... | 150,258 | 131 | 13,062 | | | 163,451 |
| State police..... | 215,821 | 53,897 | 742 | | | 270,460 |
| State reserve fund..... | 346,462 | | | | | 346,462 |
| Total appropriations..... | \$10,134,866 | \$3,380,986 | \$4,278,078 | \$2,056,751 | \$600,305 | \$20,450,986 (2) |

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported at July 1, 2000, and do not reflect revisions, if any, subsequent to that date.

STATISTICAL SECTION

STATE OF MARYLAND

Schedule of General Government Revenues by Source, Expenditures by Function and Other Sources (Uses) of Financial Resources and Changes in Fund Balances General, Special Revenue, Debt Service and Capital Projects Funds

Last Ten Fiscal Years

(Expressed in Thousands)

| | Year ended June 30, | | | | | | | | | |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
| Revenues: | | | | | | | | | | |
| Income taxes..... | \$5,223,740 | \$4,845,406 | \$4,491,384 | \$4,084,147 | \$3,796,251 | \$3,669,027 | \$3,590,562 | \$3,303,678 | \$3,043,695 | \$3,035,505 |
| Retail sales and use taxes..... | 2,497,531 | 2,299,266 | 2,161,158 | 2,093,876 | 2,000,298 | 1,951,031 | 1,814,948 | 1,718,152 | 1,579,785 | 1,540,887 |
| Motor vehicle taxes and fees..... | 1,570,433 | 1,507,898 | 1,426,340 | 1,373,002 | 1,321,412 | 1,298,132 | 1,225,531 | 1,119,416 | 990,540 | 919,220 |
| Other taxes..... | 1,366,807 | 1,203,907 | 1,149,092 | 1,057,592 | 1,065,176 | 1,031,735 | 1,053,998 | 1,039,108 | 902,757 | 848,052 |
| Other licenses and fees..... | 459,063 | 328,442 | 289,414 | 208,009 | 211,817 | 216,621 | 193,216 | 197,255 | 142,525 | 125,476 |
| Charges for services..... | 793,722 | 758,698 | 737,099 | 658,583 | 670,901 | 803,183 | 691,597 | 630,597 | 608,385 | 403,942 |
| Interest and other investment income..... | 193,897 | 174,945 | 151,443 | 138,893 | 114,986 | 100,626 | 56,120 | 35,158 | 33,399 | 73,990 |
| Federal..... | 3,973,662 | 3,681,692 | 3,509,817 | 3,726,882 | 3,357,959 | 3,277,297 | 2,630,278 | 2,530,226 | 2,422,678 | 1,982,214 |
| Other..... | 99,482 | 164,922 | 134,829 | 134,875 | 186,902 | 190,297 | 215,761 | 251,737 | 258,042 | 250,109 |
| Total revenues..... | 16,178,337 | 14,965,176 | 14,050,576 | 13,475,859 | 12,725,702 | 12,537,949 | 11,472,011 | 10,825,327 | 9,981,806 | 9,179,395 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government..... | 546,049 | 495,028 | 427,482 | 382,424 | 520,419 | 616,518 | 536,542 | 494,041 | 482,752 | 475,868 |
| Education..... | 3,626,739 | 3,440,054 | 3,239,233 | 3,025,536 | 2,818,909 | 2,637,338 | 2,497,869 | 2,389,155 | 2,292,608 | 2,218,148 |
| Business and economic development..... | 54,593 | 50,344 | 45,083 | 41,026 | 42,259 | 163,735 | 149,647 | 155,575 | 148,413 | 152,121 |
| Labor, licensing and regulation..... | 183,363 | 158,192 | 148,980 | 141,523 | 155,495 | | | | | |
| Human resources..... | 1,341,603 | 1,285,650 | 1,317,365 | 1,304,480 | 1,344,361 | 1,382,650 | 954,822 | 926,954 | 916,320 | 907,736 |
| Health and mental hygiene..... | 3,956,048 | 3,599,677 | 3,255,961 | 3,323,439 | 3,132,078 | 3,240,900 | 2,965,057 | 2,781,409 | 2,767,977 | 2,350,469 |
| Environment..... | 73,910 | 68,119 | 60,973 | 64,722 | 71,911 | 64,943 | 60,567 | 51,598 | 61,294 | 62,608 |
| Transportation..... | 1,007,331 | 979,560 | 859,460 | 860,986 | 859,208 | 783,786 | 752,679 | 692,454 | 593,861 | 575,696 |
| Public safety and judicial..... | 1,435,979 | 1,349,764 | 1,202,632 | 1,238,772 | 1,061,974 | 938,507 | 896,938 | 862,311 | 832,312 | 791,728 |
| Housing and community development..... | 103,804 | 106,604 | 97,661 | 80,390 | 67,093 | 69,611 | 75,746 | 102,725 | 115,471 | 56,835 |
| Natural resources and recreation..... | 147,179 | 131,541 | 122,113 | 125,269 | 123,681 | 116,530 | 114,678 | 111,559 | 126,875 | 126,863 |
| Agriculture..... | 59,552 | 53,078 | 42,202 | 38,138 | 43,010 | 34,872 | 28,774 | 27,185 | 33,167 | 52,785 |
| Intergovernmental..... | 1,186,985 | 1,151,315 | 1,109,755 | 1,036,094 | 933,700 | 937,236 | 784,990 | 700,119 | 705,008 | 810,313 |
| Debt service..... | 640,887 | 603,630 | 593,302 | 585,589 | 601,999 | 506,031 | 467,279 | 488,153 | 451,600 | 477,156 |
| Capital outlays..... | 1,121,889 | 1,106,875 | 1,044,187 | 1,137,356 | 1,047,936 | 1,075,888 | 784,555 | 759,224 | 830,178 | 1,166,021 |
| Total expenditures..... | 15,485,911 | 14,579,431 | 13,566,389 | 13,385,744 | 12,824,033 | 12,568,545 | 11,070,143 | 10,542,462 | 10,357,836 | 10,224,347 |
| Excess(deficiency) of revenues over expenditures | 692,426 | 385,745 | 484,187 | 90,115 | (98,331) | (30,596) | 401,868 | 282,865 | (376,030) | (1,044,952) |
| Other sources(uses) of financial resources: | | | | | | | | | | |
| Capital leases..... | 54,489 | 100,001 | 117,234 | 62,200 | 62,930 | 16,872 | 41,835 | 15,577 | 64,418 | 26,648 |
| Direct financing leases..... | 20,000 | | | | | | | | | |
| Proceeds from bond issues..... | 202,417 | 483,805 | 514,190 | 460,000 | 469,504 | 566,384 | 416,780 | 332,419 | 464,197 | 617,338 |
| Proceeds from loans to other funds..... | | | | | | | | | 40,000 | 25,000 |
| Proceeds from refunding bonds..... | | | 113,340 | | | | 802,701 | 303,218 | | |
| Payments to escrow agents..... | | | (113,661) | | | | | | | |
| Operating transfers in..... | 1,321,917 | 1,179,676 | 1,020,788 | 920,843 | 910,063 | 1,033,400 | 759,879 | 313,804 | 333,976 | 365,166 |
| Operating transfers in from component units..... | 1,108 | 1,013 | 593 | 870 | 1,339 | | | | | |
| Operating transfers out..... | (991,248) | (806,851) | (670,151) | (563,969) | (548,955) | (1,342,979) | (1,024,000) | (650,893) | (644,333) | (727,465) |
| Operating transfers out to component units..... | (918,000) | (824,170) | (773,628) | (711,032) | (680,339) | | | | | |
| Recognition of fund liability..... | | | | | | | | (65,000) | | |
| Payment to refunded bond escrow agent..... | | | | | | | (802,701) | (298,759) | | |
| Payment to refunded leases escrow agent..... | | | | | | | (8,567) | | | |
| Net other sources(uses) of financial resources..... | (309,317) | 133,474 | 208,705 | 168,912 | 214,542 | 273,677 | 185,927 | (49,634) | 258,258 | 306,687 |
| Excess(deficiency) of revenues over expenditures and net other sources (uses) of financial resources..... | 383,109 | 519,219 | 692,892 | 259,027 | 116,211 | 243,081 | 587,795 | 233,231 | (117,772) | (738,265) |
| Fund balance, July 1..... | 2,948,650 | 2,429,431 | 1,736,539 | 1,476,480 | 1,360,269 | 1,117,188 | 529,393 | 137,467 | 246,889 | 985,154 |
| Adjustments..... | | | | 1,032 (4) | | | | 154,295 (3) | | |
| Fund balance, July 1, as restated..... | | | | 1,477,512 | | | | 291,762 | | |
| Equity transfers..... | | | | | | | | 4,400 (2) | 8,350 (1) | |
| Fund balance, June 30..... | \$3,331,759 | \$2,948,650 | \$2,429,431 | \$1,736,539 | \$1,476,480 | \$1,360,269 | \$1,117,188 | \$529,393 | \$ 137,467 | \$ 246,889 |

Source: General Accounting Division, State Comptroller's Office

- (1) During 1992 the Economic Development Loan Programs returned \$8,350,000 to the General Fund. This return of contributed capital has been reported as an equity transfer.
- (2) During 1993 the Economic Development Loan Programs returned \$4,400,000 to the General Fund. This return of contributed capital has been reported as an equity transfer.
- (3) Effective July 1, 1992, the Maryland Transportation Authority's activities were recorded in the special revenue and debt service funds and its beginning equity was reclassified from the enterprise fund to the respective governmental funds.
- (4) Effective July 1, 1996, investments of the general governmental funds were valued at fair value which is based on quoted market prices.

STATE OF MARYLAND

Schedule of Property Tax Levies and Collections

Last Ten Fiscal Years

(Expressed in Thousands)

| Fiscal Year | Total Tax Levy | Current Tax Collections | Percentage of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Percentage of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes | Percentage of Delinquent Taxes to Tax Levy |
|-------------|----------------|-------------------------|------------------------------|----------------------------|-----------------------|---|------------------------------|--|
| 2000..... | \$250,877 | \$246,835 | 98.39% | \$3,819 | \$250,654 | 99.91% | \$7,181 | 2.86% |
| 1999..... | 246,489 | 243,098 | 98.62 | 2,704 | 245,802 | 99.72 | 6,339 | 2.57 |
| 1998..... | 241,630 | 238,358 | 98.65 | 2,890 | 241,248 | 99.84 | 5,996 | 2.48 |
| 1997..... | 235,634 | 232,628 | 98.72 | 1,919 | 234,547 | 99.54 | 6,234 | 2.65 |
| 1996..... | 229,756 | 226,618 | 98.63 | 1,063 | 227,681 | 99.10 | 6,095 | 2.65 |
| 1995..... | 224,247 | 221,723 | 98.87 | 1,784 | 223,507 | 99.67 | 5,093 | 2.27 |
| 1994..... | 217,194 | 214,560 | 98.79 | 2,193 | 216,753 | 99.80 | 5,111 | 2.35 |
| 1993..... | 206,276 | 202,594 | 98.22 | 2,204 | 204,798 | 99.28 | 5,351 | 2.59 |
| 1992..... | 189,448 | 186,163 | 98.27 | 2,101 | 188,264 | 99.38 | 4,347 | 2.29 |
| 1991..... | 174,702 | 172,055 | 98.48 | 1,907 | 173,962 | 99.58 | 3,558 | 2.04 |

Source: State Comptroller's Office

STATE OF MARYLAND

Schedule of Assessed and Estimated Actual

Value of Taxable Property

Last Ten Fiscal Years

(Expressed in Thousands)

| Fiscal Year | Real Property | | Personal Property | | Total | | Percentage of Total Assessed to Total Estimated Actual Value |
|-------------|----------------|------------------------|-------------------|------------------------|----------------|------------------------|--|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | |
| 2000..... | \$116,643,135 | \$291,607,838 | \$36,209,355 | \$36,209,355 | \$152,852,490 | \$327,817,193 | 46.6% |
| 1999..... | 113,014,279 | 282,535,698 | 35,103,315 | 35,103,315 | 148,117,594 | 317,639,013 | 46.6 |
| 1998..... | 109,893,050 | 274,732,625 | 34,570,947 | 34,570,947 | 144,463,997 | 309,303,572 | 46.7 |
| 1997..... | 107,205,699 | 268,014,248 | 31,885,281 | 31,885,281 | 139,090,980 | 299,899,529 | 46.4 |
| 1996..... | 104,968,536 | 262,421,340 | 31,084,278 | 31,084,278 | 136,052,814 | 293,505,618 | 46.4 |
| 1995..... | 103,018,904 | 257,547,260 | 29,512,076 | 29,512,076 | 132,530,980 | 287,059,336 | 46.2 |
| 1994..... | 100,517,470 | 251,293,675 | 29,194,598 | 29,194,598 | 129,712,068 | 280,488,273 | 46.2 |
| 1993..... | 96,042,289 | 240,105,723 | 28,432,706 | 28,432,706 | 124,474,995 | 268,538,429 | 46.4 |
| 1992..... | 87,485,274 | 218,713,185 | 26,971,545 | 26,971,545 | 114,456,819 | 245,684,730 | 46.6 |
| 1991..... | 79,546,272 | 194,656,715 | 25,577,795 | 25,577,795 | 105,124,067 | 220,234,510 | 47.7 |

Source: The Forty-seventh through Fifty-sixth Report of the State Department of Assessments and Taxation.

STATE OF MARYLAND

Schedule of Property Tax Rates -

(Per \$100 of Assessed Value)

Direct and Overlapping Governments

Last Ten Fiscal Years

| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| State of Maryland | \$0.21 | \$0.21 | \$0.21 | \$0.21 | \$0.21 | \$0.21 | \$0.21 | \$0.21 | \$0.21 | \$0.21 |
| Subdivisions: | | | | | | | | | | |
| Allegany | 2.47 | 2.47 | 2.47 | 2.47 | 2.48 | 2.50 | 2.50 | 2.48 | 2.45 | 2.41 |
| Anne Arundel | 2.36 | 2.36 | 2.38 | 2.38 | 2.38 | 2.35 | 2.38 | 2.46 | 2.46 | 2.46 |
| Baltimore County..... | 2.86 | 2.86 | 2.86 | 2.86 | 2.86 | 2.86 | 2.87 | 2.87 | 2.87 | 2.90 |
| Calvert..... | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 | 2.23 |
| Caroline..... | 2.38 | 2.38 | 2.42 | 2.48 | 2.48 | 2.49 | 2.49 | 2.49 | 2.49 | 2.49 |
| Carroll | 2.62 | 2.62 | 2.62 | 2.62 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 |
| Cecil | 2.45 | 2.45 | 2.45 | 2.45 | 2.45 | 2.45 | 2.45 | 2.50 | 2.50 | 2.50 |
| Charles | 2.49 | 2.44 | 2.44 | 2.44 | 2.44 | 2.44 | 2.28 | 2.28 | 2.28 | 2.39 |
| Dorchester..... | 2.18 | 2.20 | 2.20 | 2.21 | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 |
| Frederick | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.26 | 2.27 | 2.27 | 2.19 |
| Garrett..... | 2.59 | 2.59 | 2.59 | 2.59 | 2.24 | 2.24 | 2.19 | 2.24 | 2.24 | 2.24 |
| Harford | 2.73 | 2.73 | 2.73 | 2.73 | 2.73 | 2.73 | 2.73 | 2.73 | 2.73 | 2.73 |
| Howard | 2.61 | 2.59 | 2.59 | 2.59 | 2.59 | 2.59 | 2.59 | 2.59 | 2.59 | 2.45 |
| Kent | 2.33 | 2.33 | 2.33 | 2.33 | 2.33 | 2.33 | 2.33 | 2.33 | 2.33 | 2.33 |
| Montgomery | 1.87 | 1.92 | 1.96 | 1.99 | 2.00 | 1.94 | 1.92 | 1.92 | 2.01 | 1.94 |
| Prince George's..... | 2.41 | 2.41 | 2.42 | 2.43 | 2.43 | 2.44 | 2.45 | 2.47 | 2.48 | 2.40 |
| Queen Anne's..... | 2.19 | 2.19 | 2.25 | 2.35 | 2.17 | 2.17 | 2.17 | 2.17 | 2.17 | 2.17 |
| St. Mary's..... | 2.08 | 2.08 | 2.08 | 2.11 | 2.13 | 2.18 | 2.27 | 2.32 | 2.32 | 2.33 |
| Somerset..... | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.00 |
| Talbot | 1.39 | 1.39 | 1.39 | 1.39 | 0.95 | 0.65 | 0.65 | 0.66 | 0.69 | 0.75 |
| Washington | 2.31 | 2.31 | 2.31 | 2.21 | 2.21 | 2.21 | 2.21 | 2.21 | 2.21 | 2.13 |
| Wicomico..... | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 |
| Worcester | 1.74 | 1.72 | 1.72 | 1.68 | 1.68 | 1.68 | 1.68 | 1.62 | 1.59 | 1.59 |
| Baltimore City..... | 5.82 | 5.82 | 5.85 | 5.85 | 5.85 | 5.85 | 5.90 | 5.90 | 5.90 | 5.95 |

Source: The Forty-seventh through Fifty-sixth Report of the State Department of Assessments and Taxation.

STATE OF MARYLAND

Schedule of Employment by Sector

For Calendar Year 1999

| | Average Annual Employment | Total Wages (Expressed in Thousands) | Average Weekly Wage Per Worker |
|---|---------------------------------|---|---|
| Government: | | | |
| State and local..... | 298,918 | \$10,157,877 | \$654 |
| Federal..... | 126,942 | 6,430,208 | 974 |
| Total government..... | 425,860 | 16,588,085 | 749 |
| Manufacturing..... | 176,852 | 7,633,663 | 830 |
| Contract construction..... | 149,794 | 5,466,712 | 702 |
| Transportation, communications and utilities..... | 108,437 | 4,487,166 | 796 |
| Wholesale..... | 112,894 | 5,231,115 | 891 |
| Retail..... | 435,931 | 8,044,211 | 355 |
| Finance, insurance and real estate..... | 139,614 | 6,652,821 | 916 |
| Services and other..... | 797,933 | 26,856,903 | 647 |
| Total of all sectors..... | 2,347,315 | \$80,960,676 | \$663 |

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, December 31, 1999.

STATE OF MARYLAND

Schedule of Ratio of General Long-term Debt

To Assessed Value and General Long-Term Debt Per Capita

Last Ten Fiscal Years

| Fiscal Year | (Expressed in Thousands) | | | Ratio of General Long- Term Debt to Assessed Value | General Long- Term Debt per Capita |
|----------------|--------------------------|-----------------------|-----------------------------------|---|--|
| | Estimated Population | Assessed Value (1) | General Long- Term Debt (2)(3) | | |
| 2000..... | 5,172 | \$152,852,490 | \$4,397,360 | 2.88% | \$850 |
| 1999..... | 5,135 | 148,127,594 | 4,599,452 | 3.11 | 896 |
| 1998..... | 5,094 | 144,463,997 | 4,495,614 | 3.11 | 883 |
| 1997..... | 5,072 | 139,090,980 | 4,352,687 | 3.13 | 858 |
| 1996..... | 5,042 | 136,052,814 | 4,248,263 | 3.12 | 843 |
| 1995..... | 5,046 | 132,530,980 | 4,145,961 | 3.13 | 822 |
| 1994..... | 4,965 | 129,712,068 | 3,852,680 | 2.97 | 776 |
| 1993..... | 4,908 | 124,474,995 | 3,680,482 | 2.96 | 750 |
| 1992..... | 4,860 | 114,456,819 | 3,275,439 | 2.86 | 674 |
| 1991..... | 4,781 | 105,124,067 | 3,041,817 | 2.89 | 636 |

(1) Source: The Forty-seventh through Fifty-sixth Report of the State Department of Assessments and Taxation. Amounts shown are the State's assessable base only.

(2) Source: State Comptroller's Office.

(3) Includes all long-term general obligation and transportation bonds and excludes capital lease obligations.

STATE OF MARYLAND

**Schedule of Ratio of Annual Debt Service for General
Long-Term Debt to Total General Expenditures
Last Ten Fiscal Years
(Expressed in Thousands)**

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Expenditures (1) | Ratio of Debt Service to General Expenditures |
|----------------|-----------|-------------|--------------------------|-----------------------------------|--|
| 2000 | \$406,047 | \$234,840 | \$640,887 | \$15,485,911 | 4.14% |
| 1999 | 374,882 | 228,748 | 603,630 | 14,579,431 | 4.14 |
| 1998 | 364,154 | 229,148 | 593,302 | 13,566,389 | 4.37 |
| 1997 | 358,850 | 226,739 | 585,589 | 13,385,744 | 4.37 |
| 1996 | 370,675 | 231,324 | 601,999 | 12,824,033 | 4.69 |
| 1995 | 282,189 | 223,842 | 506,031 | 12,568,545 | 4.03 |
| 1994 | 229,725 | 237,554 (2) | 467,279 | 11,070,143 | 4.22 |
| 1993 | 251,539 | 236,614 | 488,153 | 10,542,462 | 4.63 |
| 1992 | 235,678 | 215,922 | 451,600 | 10,345,681 | 4.37 |
| 1991 | 276,131 | 201,025 | 477,156 | 10,224,347 | 4.67 |

(1) Includes general, special revenue, debt service and capital projects funds.

(2) Includes payments made in advance to refunding escrow account.

Source: General Accounting Division, State Comptroller's Office.

STATE OF MARYLAND

**Schedule of Taxes Pledged to Consolidated Transportation
Bonds and Net Revenues as Defined for Purposes of
Consolidated Transportation Bonds Coverage Tests (1)
Last Ten Fiscal Years
(Expressed in Thousands)**

| | Year ended June 30, | | | | | | | | | |
|--|---------------------|------------|------------|------------|------------|------------|------------|------------|-----------|-----------|
| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
| Revenues: | | | | | | | | | | |
| Taxes and fees: | | | | | | | | | | |
| Taxes pledged to bonds..... | \$ 981,548 | \$ 934,051 | \$ 857,816 | \$ 839,928 | \$ 813,072 | \$ 771,765 | \$ 727,557 | \$ 633,974 | \$553,185 | \$535,131 |
| Other taxes and fees | 220,672 | 214,483 | 198,101 | 196,044 | 187,558 | 216,995 | 198,356 | 234,828 | 181,459 | 160,437 |
| Total taxes and fees | 1,202,220 | 1,148,534 | 1,055,917 | 1,035,972 | 1,000,630 | 988,760 | 925,913 | 868,802 | 734,644 | 695,568 |
| Operating revenues | 311,909 | 267,946 | 241,357 | 218,874 | 203,891 | 212,767 | 198,618 | 162,751 | 160,544 | 160,014 |
| Investment income | 10,206 | 10,142 | 10,933 | 9,108 | 13,646 | 12,705 | 10,144 | 3,412 | 3,800 | 10,106 |
| Other | 19,361 | 15,486 | 14,228 | 9,913 | 21,670 | 7,613 | 11,620 | 11,229 | 11,984 | 8,238 |
| Total revenues | 1,543,696 | 1,442,108 | 1,322,435 | 1,273,867 | 1,239,837 | 1,221,845 | 1,146,295 | 1,046,194 | 910,972 | 873,926 |
| Administration, operation and maintenance expenditures..... | 913,059 | 868,439 | 808,439 | 769,977 | 784,816 | 709,180 | 689,029 | 623,929 | 564,351 | 580,628 |
| Less: federal funds | (24,723) | (20,472) | (11,530) | (19,966) | (21,520) | (17,567) | (21,904) | (19,279) | (16,991) | (19,969) |
| Total..... | 888,336 | 847,967 | 796,909 | 750,011 | 763,296 | 691,613 | 667,125 | 604,650 | 547,360 | 560,659 |
| Net revenues | \$ 655,360 | \$ 594,141 | \$ 525,526 | \$ 523,856 | \$ 476,541 | \$ 530,232 | \$ 479,170 | \$ 441,544 | \$363,612 | \$313,267 |
| Maximum annual principal and interest requirements | \$ 127,060 | \$ 133,267 | \$ 133,267 | \$ 142,769 | \$ 140,269 | \$ 140,269 | \$ 136,032 | \$ 126,146 | \$118,198 | \$104,972 |
| Ratio of net revenues to maximum annual principal and interest requirements..... | 5.16 | 4.46 | 3.94 | 3.67 | 3.40 | 3.78 | 3.52 | 3.50 | 3.08 | 2.98 |
| Ratio of taxes pledged to bonds to maximum annual principal and interest requirements.... | 7.73 | 7.01 | 6.44 | 5.88 | 5.80 | 5.50 | 5.35 | 5.03 | 4.68 | 5.10 |

Source: The Secretary's Office of the Department of Transportation.

(1) Under the terms of the bond authorizing resolutions, additional Consolidation Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts, less administration, operation and maintenance expenditures for the proceeding fiscal year equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and that (ii) total proceeds from pledged taxes equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

STATE OF MARYLAND

Schedule of Demographic Statistics

Last Ten Years

| Fiscal Year | Population (1) | Per Capita Income (2) | School Enrollment (3) | Unemployment Rate (4) |
|-------------|----------------|-----------------------|-----------------------|-----------------------|
| 2000..... | 5,171,634 | N/A | 1,017,574 | 3.3% |
| 1999..... | 5,134,808 | \$32,166 | 1,009,870 | 4.0 |
| 1998..... | 5,094,000 | 30,023 | 998,085 | 4.8 |
| 1997..... | 5,072,000 | 28,671 | 985,180 | 5.0 |
| 1996..... | 5,042,438 | 27,618 | 977,828 | 5.1 |
| 1995..... | 5,046,050 | 26,333 | 964,389 | 5.0 |
| 1994..... | 4,965,000 | 21,040 | 949,659 | 5.6 |
| 1993..... | 4,908,000 | 23,920 | 933,768 | 6.4 |
| 1992..... | 4,860,000 | 23,249 | 919,598 | 6.5 |
| 1991..... | 4,781,000 | 22,080 | 901,143 | 5.7 |

Sources:

- (1) US Department of Commerce, Bureau of Census.
 - (2) US Department of Commerce, Bureau of Economic Analysis.
 - (3) State Departments of Education and Higher Education.
 - (4) State Department of Labor, Licensing and Regulation.
- N/A Not available at this date.

STATE OF MARYLAND

Schedule of Property Value

Last Ten Fiscal Years

(Expressed in Thousands)

| Fiscal Year | Commercial | Residential | Agricultural | Nontaxable |
|-------------|--------------|---------------|--------------|--------------|
| 2000..... | \$66,881,659 | \$218,631,511 | \$6,094,667 | \$44,277,708 |
| 1999..... | 64,219,071 | 212,366,454 | 5,950,173 | 43,541,916 |
| 1998..... | 62,377,451 | 205,239,920 | 7,115,253 | 42,687,496 |
| 1997..... | 61,626,974 | 200,557,837 | 5,829,437 | 41,642,651 |
| 1996..... | 59,843,316 | 197,628,263 | 5,541,304 | 41,317,411 |
| 1995..... | 62,013,692 | 190,112,779 | 5,420,789 | 40,235,799 |
| 1994..... | 64,464,686 | 181,420,690 | 5,408,299 | 40,235,799 |
| 1993..... | 64,006,823 | 170,912,747 | 5,186,153 | 39,302,632 |
| 1992..... | 60,460,121 | 153,526,926 | 4,726,138 | 37,817,267 |
| 1991..... | 54,800,295 | 135,548,676 | 4,307,744 | 35,309,591 |

Source: State Department of Assessment and Taxation.

STATE OF MARYLAND

Schedule of Miscellaneous Statistics

June 30, 2000

| | |
|--|------------------------------------|
| Date of Ratification | 1788 |
| Form of Government | Legislative - Executive - Judicial |
| Miles of State Highways | 5,222 |
| Land Area | 9,775 square miles |
| State Police Protection: | |
| Number of Stations | 26 |
| Number of State Police | 1,622 |
| Higher Education (Universities, Colleges and Community Colleges): | |
| Number of Campuses in State | 33 |
| Number of Educators | 7,143 |
| Number of Students | 220,236 |
| Recreation: | |
| Number of State Parks and Forests | 61 |
| Area of State Parks | 91,369 acres |
| Area of State Forests | 136,907 acres |
| Employees | 102,128 |

Sources: General Accounting Division, State Comptroller's Office, Maryland Manual @
www.mdarchives.state.md.us/msa/mdmanual, Department of Natural Resources.



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